

CITY OF ATCHISON, KANSAS



# COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED DECEMBER 31, 2016



**COMPREHENSIVE ANNUAL**  
**FINANCIAL REPORT**

**CITY OF ATCHISON, KANSAS**

**For the Fiscal Year Ended**

**December 31, 2016**

**Prepared by:**

**FINANCE DEPARTMENT**

**City of Atchison, Kansas**

CITY OF ATCHISON, KANSAS  
COMPREHENSIVE ANNUAL FINANCIAL REPORT

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# **Introductory Section**

**2016**



June 14, 2017

The Honorable Mayor, Members of the City Commission, and Citizens of the City of Atchison:

It is our pleasure to submit the Comprehensive Annual Financial Report (CAFR) of the City of Atchison (City) for the fiscal year ended December 31, 2016. Responsibility for the accuracy of the data, and the completeness and fairness of the presentation, including disclosures, rests with the City. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of operations for the various activities of the City. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

The CAFR is prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of management's discussion and analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the Independent Auditor's Report.

State law requires that every general-purpose local government publish a complete set of audited financial statements after the close of the fiscal year. This report is published to fulfill that requirement for the fiscal year ended December 31, 2016. Berberich Trahan & Co. P.A., has issued an unmodified opinion on the City's financial statements for the year ended December 31, 2016.

### *Profile of the Government*

The City is the primary unit of government and was incorporated in 1858. It is in the northeastern part of the state approximately 35 miles from the Kansas City International Airport. It currently occupies 6.9 square miles and serves a population of 10,712. The City is empowered to levy a property tax on both real and personal property within its boundaries and to extend the city limits by annexation, which it has done from time to time.



The City operates under the commission-manager form of government. Policymaking and legislative authority are vested in a governing commission consisting of the mayor and four other members, all elected on a non-partisan basis. The Commission appoints the city manager, who in turn appoints the heads of the various departments. Three of the commissioners are elected every two years. The two with the largest number of votes serve four-year terms, and the third serves a two-year term. The mayor is elected by the Commission and serves a one-year term.

The City provides a full range of services, including police and fire protection; the construction and maintenance of highways, streets and other infrastructure; and recreational and cultural activities. Sanitation, water and wastewater services are also provided and are included as an integral part of the City's financial statements.

The City is also financially accountable for a legally separate library which is reported on separately within the City's financial statements. Additional information on this entity can be found in Note 1 of the financial statements.

### **Local economy**

In its early history, Atchison was an important supply center for settling the West, and continues to enjoy a strong commercial base today. Major industries located within the City's boundaries, or in close proximity, include manufacturers of food and mill ingredients, distillery products, concrete poles, steel castings, dust and wet mops, electrical wiring harnesses and rail anchors.

Other economic presences include the headquarters of a publicly traded company, a full-service hospital, a four-year accredited college, a vocational school, national suppliers of leather and textile products, wholesale hardware and more.

The economic downturn of 2009 had a negative impact on Atchison's unemployment rate. The rate at the end of December was 6.4% compared to 6.2% at the end of 2015. The most recent unemployment figure for Atchison is 5.4%.

Specialty retail shops and the tourism industry have contributed to the local economy in the past ten years. Sales tax collections continued to improve slightly, up 1% from 2015. Even with this gradual improvement collections are still below the City's record high 2012 sales tax receipts. The City's one-cent sales tax, along with its share of the County's one-cent sales tax, have risen 6.2% from \$2,466,717 in 2006 to \$2,621,147 in 2016.

### *Relevant financial policies*

**Budgeting** -The Commission is required by Statute to adopt a final budget by August 25<sup>th</sup> of each year. The annual budget is the foundation for the City's financial planning and control. The budget is prepared by fund, and by department (e.g., police). The City's budget is prepared on a modified accrual basis further modified by an encumbrance system of accounting as required by applicable state statutes. The city manager presents recommendations for the budget to the Mayor and Commission members for their review. A series of public meetings are held by commissioners to review alternative

spending proposals. After soliciting public input, the Commission adopts the budget. The budget is controlled through an accounting system to ensure effective fiscal management and accountability.

**Capital Spending** - The City prepares a five-year spending plan for replacing its equipment. The City also maintains a five-year capital improvement (CIP) plan for maintaining and making betterments to infrastructure. Both plans are updated annually and approved by the governing body. Equipment replacements are funded by transfers from other funds, primarily the general fund, in addition to long-term leases for major equipment purchases. Capital improvements are funded through transfers from other funds, intergovernmental grants and revenues and general obligation bonds. The funding of equipment replacement and infrastructure maintenance can be designed to provide a stable and sustainable program that minimizes future cost, or the funding of these capital expenses can be deferred in the short term in order to minimize current expenses. In recent years, the City has made substantial progress in improving its infrastructure and addressing its equipment needs.

**Debt Service** - The City's debt service is funded by property taxes and includes a 12-mill levy limit established by Ordinance. Debt management policies established by the Commission include a general obligation bond per capita limit of \$500, an overall debt limit of 10 percent of assessed value, and a debt-service limit of 10 percent of governmental fund expenses. These policies are specific to general obligation debt related to governmental activities, not any debt related to business type funds as that debt is meant to be repaid with revenues generated by those funds. The Commission reviews debt policy limits annually during the budget process. For 2016 the debt per capita amount of \$539 is over the commission imposed limit, but lower than last year's per capita amount of \$601. Prior to the issuance of the bonds for the Event Center project the Commission was made aware that the issue would push the per capita debt amount over the limit, but they opted to go ahead with it.

**Internal Controls** - Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

**Investing** – The City determines idle cash available for investing for selected time frames, and solicits bids from local banks for certificates of deposit. Local banks are required to match the rate established by the State Municipal Investment Pool, or the money is invested in the state pool. The City does not have any idle cash invested in local banks or the state pool, due to the historic low interest rates. The City earns interest on its operating account at a local bank at a rate of 0.71 above the 91-day Treasury bill yield.

**Risk Management** – The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. All potential claims, and/or liabilities are reported immediately when it becomes evident that a loss has occurred or a claim may be made.

The City has addressed the potential risk by purchasing various commercial insurance policies for certain insurable causes of loss. These policies cover liability, employee dishonesty, public official's liability, property damage to buildings, contents and other personal property. Losses due to earthquakes and terrorism have been excluded. The City established an insurance reserve fund in order to fund the deductible portion of losses. The balance at the end of 2016 was \$2,440.

**Spending Limits** - The state limits annual spending in each fund to the amount budgeted. Prior to spending an amount in excess of the budgeted amount, the City must hold a public hearing with notice published a minimum of 10 days in advance.

#### *Major initiatives*

In November of 2011, the City reached an agreement on a consent order with the Kansas Department of Health and Environment to address run-off sewer discharge, a byproduct of the City's combined storm/sewer system. The agreement provides a reasonable plan of action that promotes environmental health without unduly burdening the taxpayers of Atchison.

The City had implemented a CSO fee in 2015 to begin addressing the revenue requirements of the consent order. The CSO fee is a flat charge for all residential customers, and it is usage based for commercial and industrial customers. In late 2016, KDHE agreed to release the City from the \$3.1 million in revenue requirement and in return, the City agreed to complete certain projects in a timely manner and update the long-term control plan.

The City has made substantial progress addressing the initiatives set forth by the consent agreement. In 2014, preliminary design began on a "store and treat" project to bring the 11<sup>th</sup> & 14<sup>th</sup> Street Combined Sewer Overflows (CSO) into compliance. After completing the preliminary work the engineers determined that Watershed Dam 6 overflows are the single largest contributing factor to overflows in the 14<sup>th</sup> Street sewershed. The design of a project to directly connect the Dam 6 Overflow to White Clay Creek began in 2016.

A nearly \$10 million investment in the City's water treatment plant was fully completed in 2016 with a new ozone treatment system, filtration system and a 2-million-gallon ground storage tank. Additionally, the City entered into a long-term contract with an outside company to maintain the City's water towers. The project to automate the CSO flood gates was also completed in 2016.

In 2016, the City made several sidewalk, alley, and curb improvements, replaced a hangar building at the airport after a windstorm destroyed the previous building, completed upgrades at the Lions Pool facility, started a sidewalk improvement project funded with a CDBG grant, and began construction on a new bike and pedestrian trail. The trail is approximately 80% funded by a KDOT grant and it will run generally along US-73 from US-59 to the Atchison Hospital. At the Public Works shop, a restroom addition and general improvements are continuing, and the animal control building was also remodeled.



Projects planned for 2017 include underdrain improvements on US-73 Highway, to be followed by a mill and overlay project in 2018, a streetscape of the 800 block of Commercial Street (for which the city received a KDOT grant), a mill and overlay project for city streets (funded with GO bonds), continued design work on the Dam 6 separation (a project required by the KDHE consent agreement), and several sidewalk improvement projects, including one that is partially funded by another CDBG grant. The City also plans to undertake several recreational improvements in 2017, including a basketball rehabilitation at LFM Park, an accessible, fenced-in “Tot Lot” at Jackson Park, and begin work on expansion of the Riverfront Trail, for which the City recently received news of a grant award.

#### *Awards and Acknowledgements*

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its comprehensive annual financial report (CAFR) for the fiscal year ended December 31, 2015. This was the twentieth consecutive year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, the City had to publish an easily readable and efficiently organized CAFR that satisfied both generally accepted accounting principles and applicable legal requirements.

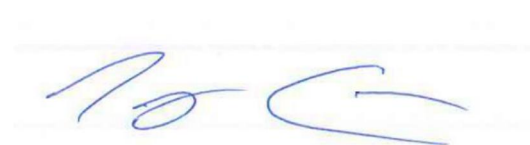
A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program’s requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of this report would not have been possible without the efficient and dedicated service of the entire staff of the finance department. We wish to express our appreciation to all members of the department who assisted and contributed to the preparation of this report. Credit also must be given to the Mayor and the City Commission for their unfailing support for maintaining the highest standards of professionalism in the management of the City’s finances.

Respectfully submitted,



Becky Berger  
Finance Director



Trey Cocking  
City Manager



Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

**City of Atchison  
Kansas**

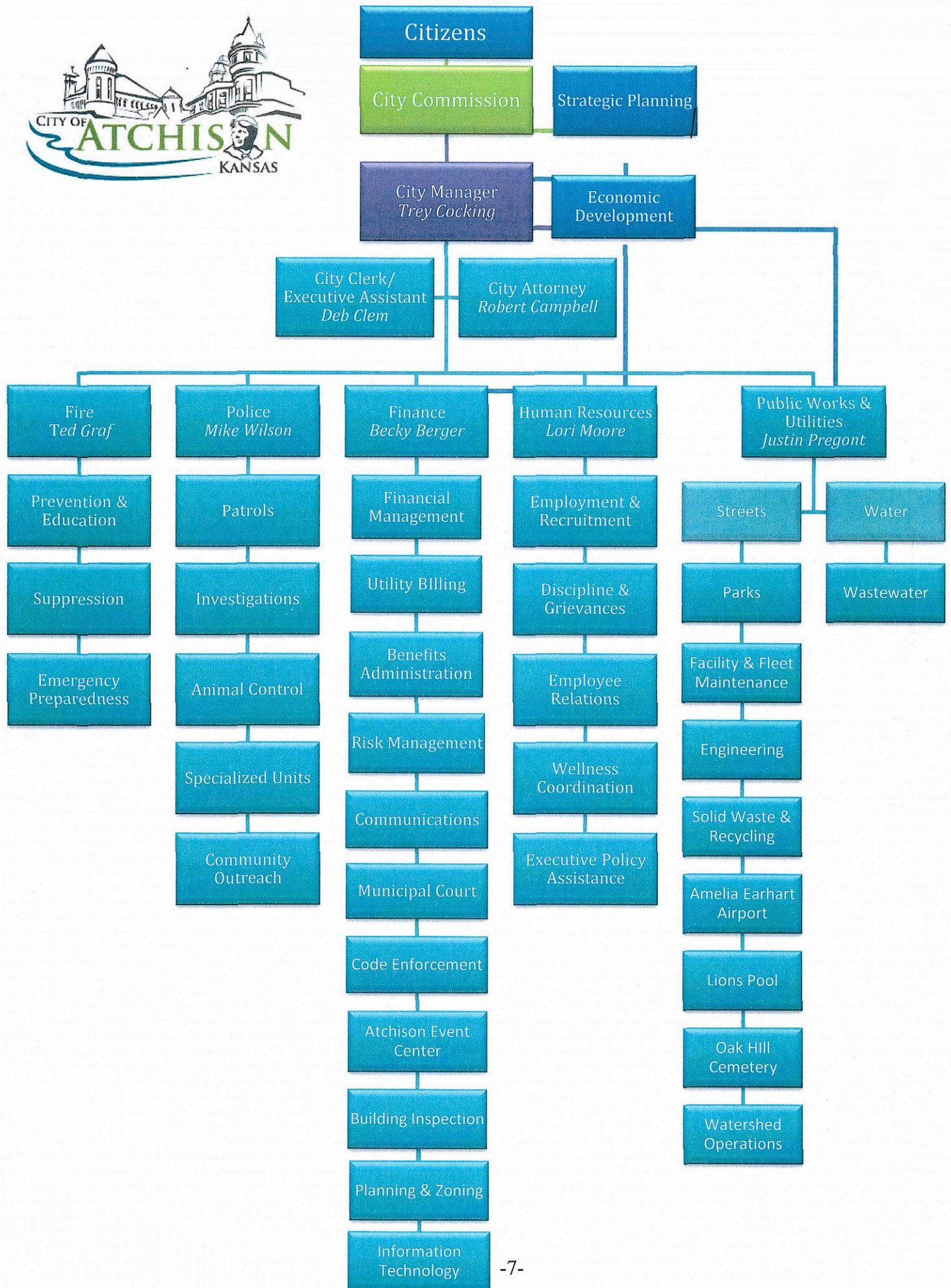
For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**December 31, 2015**

A handwritten signature in black ink, reading "Jeffrey R. Enos". The signature is fluid and cursive.

Executive Director/CEO







# CITY OF ATCHISON, KANSAS

## List of Elected and Appointed Officials

December 31, 2016

### ELECTED OFFICIALS

**Allen Reavis**  
Mayor  
Term Expires January 2018

**David Hausmann**  
Vice-Mayor  
Term Expires January 2018

**Larry Purcell**  
Commissioner  
Term Expires January 2018

**Charlie Purdue**  
Commissioner  
Term Expires January 2020

**Dave Butler**  
Commissioner  
Term Expires January 2020

### APPOINTED OFFICIALS

**Trey Cocking**  
City Manager

**Rebecca Berger**  
Director of Finance/Asst. City Manager

**Michael A. Wilson**  
Chief/Director of Police Services

**Ted Graf**  
Chief/Director of Fire Services

**Justin Pregont**  
Director of Public Works and Utilities

**Lorelei E. Moore**  
Director of Human Resources

**Debra Clem**  
City Clerk

**Robert Campbell**  
City Attorney

**Pat Henderson**  
Municipal Judge

# Financial Section

2016



BERBERICH TRAHAN & CO., P.A.  
Certified Public Accountants

3630 SW Burlingame Road Topeka, Kansas 66611 | t: 785.234.3427 | toll-free: 800.530.5526 | f: 785.233.1768 | w: btandccpa.com

## **INDEPENDENT AUDITOR'S REPORT**

The Honorable Mayor and City Commission  
City of Atchison, Kansas

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Atchison, Kansas (the City) as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and applicable provisions of the *Kansas Municipal Audit and Accounting Guide*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

An Independently Owned Member, RSM US Alliance

RSM US Alliance member firms are separate and independent businesses and legal entities that are responsible for their own acts and omissions, and each are separate and independent from RSM US LLP. RSM US LLP is the U.S. member firm of RSM International, a global network of independent audit, tax, and consulting firms. Members of RSM US Alliance have access to RSM International resources through RSM US LLP but are not member firms of RSM International.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City, as of December 31, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

## **Other Matters**

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the required supplementary information listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Supplementary and Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The schedules and statements listed under supplementary information in the accompanying table of contents and the introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedules and statements listed under supplementary information in the accompanying table of contents are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued a report dated June 14, 2017, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

*Berwick Trahan + Co., P.A.*

Topeka, Kansas  
June 14, 2017



**City of Atchison, Kansas**  
**Management Discussion and Analysis**  
**Fiscal Year Ended December 31, 2016**

This section of the report contains an overview and an analysis of the City of Atchison's financial statements for the fiscal year ended December 31, 2016. This document and the information contained in the transmittal letter are intended to provide the reader of the financial statements with a well-rounded picture of the City's financial condition.

**Financial Highlights**

- The City's total assets and deferred outflows of resources exceeded its total liabilities and deferred inflows of resources by \$37,444,851.
- The net position of the City's governmental activities increased by \$294,137 (or 1.8%) while the net position of business activities increased by \$1,392,421 (or 7.1%). The increase in the business activities net position is attributable to a sizeable decrease in transfers out of the funds for capital improvement projects in 2016 as compared to 2015.
- At the end of 2016 the total fund balance for the general fund was \$2,285,921 which is 31% of general fund expenditures.

**Overview of the Financial Statements**

The City's basic financial statements include the government-wide financial statements and the fund financial statements. The notes to the financial statements follow the basic financial statements and are essential for understanding them. The report also contains additional supplementary information to assist the reader.

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City of Atchison's finances, in a manner similar to private-sector businesses.

The Statement of Net Position presents information for the assets, deferred outflows of resources, liabilities and deferred inflows of resources with the difference between them reported as net position. Increases or decreases in net position may serve as a useful indicator over time of whether the financial position of the City of Atchison is improving or deteriorating.

The Statement of Activities shows the revenues and expenses related to specific programs, and how the government's net position changed during the fiscal year. This statement is presented on the accrual basis so that transactions are reflected as they occur, and not as cash is impacted.

Both statements distinguish functions of the City that are supported by taxes and intergovernmental revenues from functions that recover their costs through user fees and charges. The governmental activities include general government, public safety, public works, and parks and recreation. The business-type activities include the water and wastewater utilities and refuse operations. Business-type activities are operations that are intended to recover most, if not all, of their costs through user fees and charges.

The government-wide financial statements include a city library as a discretely presented component unit. See note 1 to the financial statements for a more complete description of the relationship between this entity and the City.

### Fund Financial Statements

A fund is a fiscal entity with accounts for recording balances of resources, liabilities, equity, revenues and expenses. Funds are segregated for specific activities or objectives, in accordance with regulations, restrictions or limitations. City funds can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental fund financial statements are prepared on the modified accrual basis. Under this approach, revenues are recognized when measurable and available, and expenditures are recognized when the related fund liabilities are incurred with the exception of capital outlays and long-term debt and other similar items that are recorded when due. Governmental funds are used to account for essentially the same functions included in the government-wide financial statements, but the focus is on the short term financial condition rather than the City as a whole. The reconciliation at the end of the fund financial statements explains the relationship between governmental fund financial statements and government-wide financial statements.

The City maintains one type of proprietary fund, enterprise funds. The City uses enterprise funds to account for its water and wastewater utilities and refuse operations. These funds are prepared on the accrual basis of accounting and present the same information included in the government-wide financial statements in greater detail.

Fiduciary funds are used by the City to account for resources held for the benefit of third parties. Because the resources of these funds are not available for the City's operations, they are not presented in the government-wide financial statements. The Fiduciary funds include the Amelia Earhart Festival, Santa Fe Depot Enhancement, Veterans Memorial Park, Jackson Park Revitalization, and the White Clay Watershed District funds. A combining statement can be found in the supplementary information following the notes to the financial statements.

### Notes to the Financial Statements

The notes are an integral part of the financial statements and provide essential information for a full understanding of the data provided in those statements.

### Other information

In addition to the basic financial statements and accompanying notes, this report also contains required supplementary information concerning the City's progress in funding its obligation to provide pension and post-employment benefits to its employees and the City's general fund budgeted and actual expenditures. The combining statements for the combined general fund and non-major funds are included after the required supplementary information. The Statistical section of the report includes historical financial information and other data about the City.

## Analysis of the Government-wide Statements

### Net Position

Net position may serve as a useful indicator of the City's financial condition. The City's government-wide net position increased by \$1,686,558 or 4.7% for the fiscal year ended December 31, 2016. The largest portion of the City's net position (85%) is in capital assets (land, buildings, infrastructure, vehicles and machinery and equipment); less any debt related to those assets still outstanding.

Combined Net Position of the City at December 31 was:

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Current and other assets	\$ 8,691,562	\$ 8,552,251	\$ 6,977,823	\$ 6,181,445	\$ 15,669,385	\$ 14,733,696
Capital assets	22,810,176	22,967,200	34,554,896	34,012,953	57,365,072	56,980,153
Total assets	<u>31,501,738</u>	<u>31,519,451</u>	<u>41,532,719</u>	<u>40,194,398</u>	<u>73,034,457</u>	<u>71,713,849</u>
Deferred outflows of resources	<u>1,895,155</u>	<u>525,859</u>	<u>308,567</u>	<u>282,062</u>	<u>2,203,722</u>	<u>807,921</u>
Long-term liabilities	12,545,939	11,774,648	20,122,810	20,513,945	32,668,749	32,288,593
Other liabilities	<u>558,637</u>	<u>531,783</u>	<u>516,989</u>	<u>380,927</u>	<u>1,075,626</u>	<u>912,710</u>
Total liabilities	<u>13,104,576</u>	<u>12,306,431</u>	<u>20,639,799</u>	<u>20,894,872</u>	<u>33,744,375</u>	<u>33,201,303</u>
Deferred inflows of resources	<u>3,749,970</u>	<u>3,490,669</u>	<u>298,983</u>	<u>71,505</u>	<u>4,048,953</u>	<u>3,562,174</u>
Net position:						
Net investment in capital assets	16,836,454	16,480,463	15,200,765	14,738,706	32,037,219	31,219,169
Restricted	122,116	114,925	-	-	122,116	114,925
Unrestricted	<u>(416,223)</u>	<u>(347,178)</u>	<u>5,701,739</u>	<u>4,771,377</u>	<u>5,285,516</u>	<u>4,424,199</u>
Total Net Position	<u>\$ 16,542,347</u>	<u>\$ 16,248,210</u>	<u>\$ 20,902,504</u>	<u>\$ 19,510,083</u>	<u>\$ 37,444,851</u>	<u>\$ 35,758,293</u>

### Governmental Activities

The City's governmental activities ended 2016 with positive net position. Cash balances increased by \$91,664 or 1.8%, compared to a 3.6% decrease from 2014 to 2015. Cash balances were stable because there were no significant changes in operations during 2016. Capital assets decreased by \$157,024, or .7%, because depreciation on existing assets in 2016 outpaced any new assets being added. The largest completed project in 2016 was the new hangar at the Amelia Earhart Airport.

Total liabilities increased by \$798,145 or 1.6%. The bulk of the total increase was in long-term liabilities where the reduction in the general obligation bonds liability was more than offset by the increase in net pension liability.

### Business-type activities

The City's business-type activities ended 2016 with positive net position.

- The total cash position increased by \$723,685, or 13.9%. Receipts from customers increased in 2016 by 4% while operating expenses increased by just over 1%. Rates for all services, water, wastewater and combined sewer overflow charges were increased by 5% during 2016. The bulk of the cash balance increase is in the wastewater fund. The City's consent agreement with the Kansas Department of Health and Environment (KDHE) required raising revenues to a target of \$3.1 million per year by 2017. The revenues are to be used to operate the wastewater system and fund projects to separate the combined sewer system (CSO). The City does have two larger CSO projects in the early stages- the 800 Commercial Street and the Dam 6 overflow. We anticipate that the cash balance in the fund will be lowered as we pay for these and other related projects or for debt service. Additionally, in early 2017 KDHE amended the consent order to lift the revenue requirement as long as the City meets certain project targets.
- Capital assets increased by \$541,943 or 1.6%. Several large capital projects were completed during 2016: the ozone treatment system at the water plant which began construction in 2012, a filter project at the water treatment plant and the CSO flood gates project.
- Total liabilities decreased by \$255,073 or 1.2%. The City did draw down additional funds on the state revolving loans for the ozone system at the water treatment plant, a new filter system at the water plant and new flood control gates for the City's CSO system but the new debt was more than offset by debt payments on general obligation bonds, the state revolving loans and lease payments. The net pension liability for the business activities decreased in 2016.

## Statement of Activities

Changes in net position of the City for the years ended December 31 were:

<u>Changes in Net Position</u>	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Revenues:						
Program revenues:						
Charges for services	\$ 898,337	\$ 773,953	\$ 6,943,031	\$ 6,650,970	\$ 7,841,368	\$ 7,424,923
Operating grants and contributions	492,067	421,178	-	-	492,067	421,178
Capital grants and contributions	223,423	400,617	8,360	-	231,783	400,617
General revenues:						
Property taxes	3,331,078	3,330,996	-	-	3,331,078	3,330,996
Other taxes	3,135,886	3,205,010	964,161	980,458	4,100,047	4,185,468
Unrestricted investment earnings	28,323	1,242	26,823	1,276	55,146	2,518
Other	97,142	40,664	-	43,789	97,142	84,453
Total revenues	<u>8,206,256</u>	<u>8,173,660</u>	<u>7,942,375</u>	<u>7,676,493</u>	<u>16,148,631</u>	<u>15,850,153</u>
Expenses:						
General government	2,960,219	2,839,712	-	-	2,960,219	2,839,712
Public safety	3,466,334	3,059,215	-	-	3,466,334	3,059,215
Public works	1,931,845	2,109,452	-	-	1,931,845	2,109,452
Parks and recreation	352,838	339,831	-	-	352,838	339,831
Interest on long-term debt	182,710	200,127	-	-	182,710	200,127
Water	-	-	2,832,061	2,545,497	2,832,061	2,545,497
Wastewater	-	-	1,808,674	1,845,541	1,808,674	1,845,541
Refuse	-	-	927,392	891,962	927,392	891,962
Total expenses	<u>8,893,946</u>	<u>8,548,337</u>	<u>5,568,127</u>	<u>5,283,000</u>	<u>14,462,073</u>	<u>13,831,337</u>
Increase in net position before transfers	(687,690)	(374,677)	2,374,248	2,393,493	1,686,558	2,018,816
Transfers	<u>981,827</u>	<u>1,827,209</u>	<u>(981,827)</u>	<u>(1,827,209)</u>	<u>-</u>	<u>-</u>
Change in net position	294,137	1,452,532	1,392,421	566,284	1,686,558	2,018,816
Net position, beginning as previously stated	16,248,210	19,005,783	19,510,083	19,731,354	35,758,293	38,737,137
Prior period adjustments	-	(4,210,105)	-	(787,555)	-	(4,997,660)
Net position, beginning as restated	<u>16,248,210</u>	<u>14,795,678</u>	<u>19,510,083</u>	<u>18,943,799</u>	<u>35,758,293</u>	<u>33,739,477</u>
Net position, ending	<u>\$ 16,542,347</u>	<u>\$ 16,248,210</u>	<u>\$ 20,902,504</u>	<u>\$ 19,510,083</u>	<u>\$ 37,444,851</u>	<u>\$ 35,758,293</u>



## Governmental Activities

- Total revenues from governmental programs increased by only \$32,596, or 0.4%. Charges for services increased by 16%, but this is offset by a decrease in capital grants and contributions. Building permits and nuisance abatements drove the increases in charges for services. Three large building projects were permitted in 2016, a remodel of the YMCA, construction of a new hotel and construction of a new building at Benedictine College. There was an increase in the number of housing demolitions in 2016. The decrease in capital grants and contributions is because the City had fewer grant funded projects in 2016. There were no airport projects, and the projects performed with federal funds exchange dollars were smaller in 2016 (various curb and gutter projects) versus 2015 (6<sup>th</sup> Street viaduct rehabilitation).
- Total expenses increased by \$345,609, or 4%. General government expenses increased by \$120,507, or 4%, mainly due to equipment replacements funded from insurance proceeds and expenses related to the CDBG sidewalk project that started construction in 2016. Public Safety expenses increased by \$407,119, or 13%. This increase is due to pension expenses and compensated absences. Public Works spending decreased by \$177,607 or 8%. The majority of the decrease is related to personnel costs. One employee's costs were reallocated to the utilities funds and changes in worker's compensation classification for supervisory personnel resulted in significant cost savings.
- The tables below compare the mill levies and the related assessed values for the 2015 and 2016 budget. Per the County Appraiser, the assessed value of real estate and personal property decreased while the value of state assessed utilities increased. The value of property in the Neighborhood Revitalization program decreased in 2016. The owners of the property enjoy tax rebates for up to 10 years after construction or improvements to the property, but the improved value of the property is added back to the tax rolls based on the program's graduated rebate schedule. The net impact of the changes is a net increase in valuation of less than 1%. As noted in the table below, the change in mill levy was virtually flat as well.

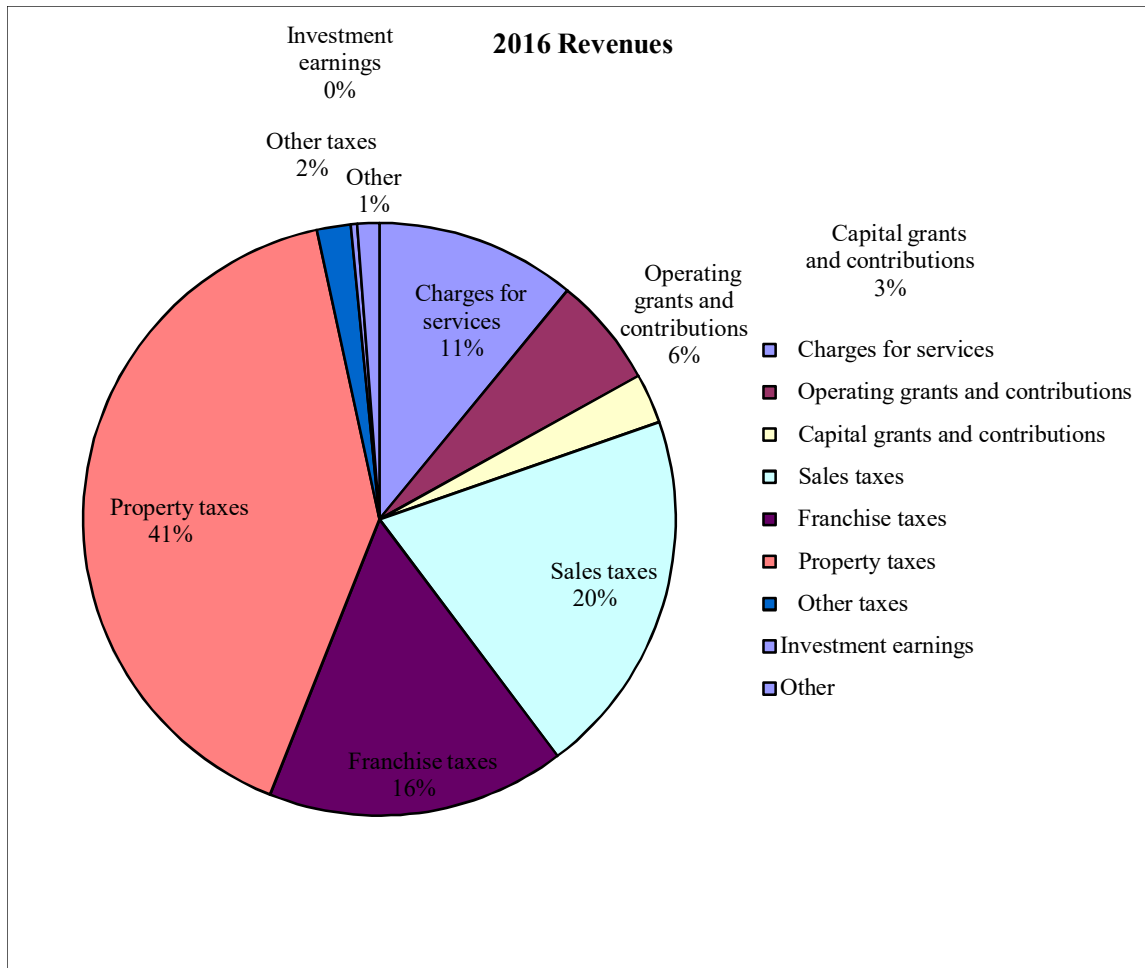
<b>Mill Levy Rates 2015 and 2014</b>
--------------------------------------

	<b>2015 Levy to support 2016 Budget</b>	<b>2014 Levy to support 2015 Budget</b>
General fund	36.224	38.132
Debt service	10.887	8.976
Library	7.000	6.981
	<u>54.111</u>	<u>54.089</u>

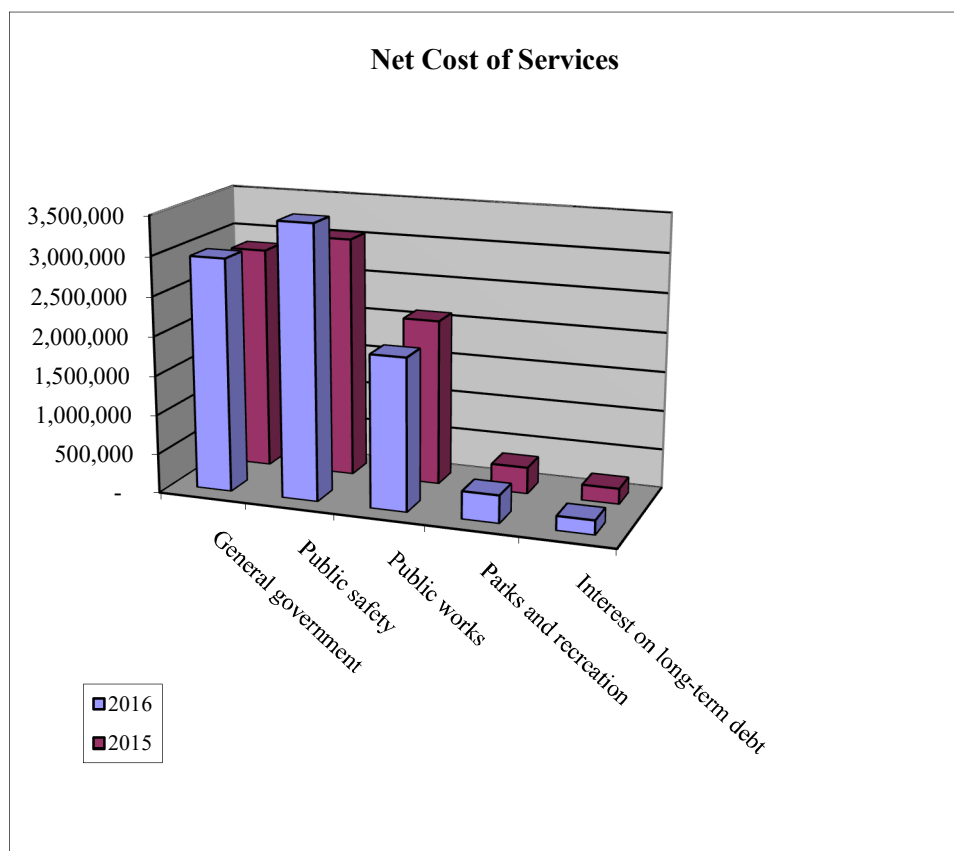
### Assessed Valuation 2015 and 2014

	<b>2015 Valuation to support 2016 Budget</b>	<b>2014 Valuation to support 2015 Budget</b>	<b>Increase / (Decrease) Over Prior Year</b>	<b>% Change</b>
Real Estate	\$62,477,029	\$ 63,090,321	\$ (613,292)	-0.97%
Personal	3,676,815	3,814,598	(137,783)	-3.61%
Utilities	6,558,267	5,927,124	631,143	10.65%
Neighborhood revitalization	<u>(8,005,290)</u>	<u>(8,717,980)</u>	<u>712,690</u>	<u>-8.17%</u>
	<u><u>\$64,706,821</u></u>	<u><u>\$ 64,114,063</u></u>	<u><u>\$ 592,758</u></u>	<u><u>0.92%</u></u>

The following graph illustrates the composition of 2016 primary government revenues.



The following graph compares the net cost of services for governmental activities in 2016 and 2015:



The total cost of services in 2016 was \$8,893,946; however, \$1,613,827 was funded by users directly benefiting from the services, or by other organizations through operating and capital grants and contributions. The City's taxpayers, primarily through property taxes, franchise fees and sales taxes, paid the remaining \$7,280,119 of these services.

### Business-type Activities

Revenues and expenses increased over the prior year as discussed below.

- Total revenues for business activities increased by \$265,882 or 3.4%. Revenue from charges for services increased by only 4.4%. Each utility implemented rate increases of 5% in 2016 however water consumption was down 1% which impacts water and wastewater revenues.
- Expenses for business-type activities increased by \$285,127 (5.4%). The majority of the increased expenses were in the water fund where a variety of line items saw significant increases. The pumps at the raw water intake failed which necessitated paying to rent pumps while the new pumps were on order. The pumps were replaced before year end. The ozone treatment system which was financed with a state revolving loan was completed in 2016. The water fund shows a corresponding increase in interest expense related to that loan along with increased depreciation for the project.



## Analysis of the Fund Financial Statements

The City uses fund accounting to enhance and demonstrate fiscal responsibility and compliance with finance related legal requirements.

	<u>Total Fund Balance at December 31</u>		<u>Unrestricted Fund Balance at December 31</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
General	\$ 2,285,921	\$ 2,275,838	\$ 2,285,921	\$ 2,275,838
Capital Projects	2,626,064	2,538,278	2,626,064	2,538,278
Water	9,567,902	8,716,751	1,392,183	1,466,223
Wastewater	10,938,146	10,384,231	3,913,100	3,141,774
Total	<u>\$ 25,418,033</u>	<u>\$ 23,915,098</u>	<u>\$ 10,217,268</u>	<u>\$ 9,422,113</u>

## Financial Analysis of the Government's Funds

The focus of the City's governmental funds is to provide information about current inflows, outflows and balances of spendable resources. The unassigned fund balance is a helpful measure of the City's resources available for expenditure at the end of the year. Overall, the City's major funds experienced a 6.2% increase in total fund balance as a result of 2016 operations.

The general fund is the main operating fund of the City. At December 31, 2016, the unassigned balance for the general fund was \$1,960,729. To assess the liquidity of a fund it may be useful to compare the fund balance (total and unassigned) to the fund's total expenditures. For 2016, the unassigned fund balance is 27% of fund expenditures and the total fund balance is 31% of expenditures. The General Fund balance remained virtually unchanged from 2015, increasing by only .4%. General fund revenues and expenditures both declined by 1%. There were no major changes in operations in 2016 which led to a very stable year for the general fund balance.

There was an increase in the capital projects fund balance of 3.4%. Most of the major projects worked on during 2016 are funded with loans from the Kansas Department of Health and Environment. Funds are drawn down on the loan soon after vendors are paid. The fund balance was helped by receipt of federal funds exchange dollars from the Kansas Department of Transportation, increased interest earnings and lease proceeds for the airport hangar construction.

The Water fund balance increased 9.8% to \$9,567,902 because of a strong operating income and lower transfers out of the fund. Most the amounts transferred out of the fund in 2015 and 2016 are related to the ozone treatment project at the water plant.

The Wastewater fund balance increased 5.3%, to \$10,938,146, due to increased revenue coupled with slightly reduced operating expenditures. Revenues in the fund increased in 2016 because of 5% rate increases in both wastewater and CSO fees. The rate increases were intended to help the City reach the \$3.1 million per year revenue target originally required by the KDHE consent agreement. As previously mentioned the consent agreement has been amended and that revenue target is no longer required. The fund balance will likely be reduced in future years as the City moves to construct the Dam 6 separation project.

### **General Fund Budgetary Highlights**

The following revenue and expenditure categories experienced significant differences between budgeted versus actual expenditures. Overall the General Fund ended the year with a positive budget variance. Almost every department had savings against budget for health insurance costs as the budget included a 5% increase, but the City was able to renew the policy with no increase in costs for 2016.

- Franchise fees – Franchise fees underperformed budgeted expectations in 2016, particularly those generated by Kansas Gas Service and Westar. Lower natural gas prices and milder weather are the reason for this.
- Charges for services- the Atchison Event Center (AEC) generated less revenue than expected, however it should be noted that while the AEC operated at a loss in 2016 it was a smaller loss than in 2015.
- Fines and Fees – this revenue stream is always difficult to collect. Court fines and forfeitures missed the budget target by 20% and court costs were 16% under budget. Revenue generated by nuisance abatements was over budget by 94% largely due to the number and size of structure demolitions that took place in 2016.
- Licenses and Permits- building permits issued exceeded the projected revenue due to three large projects that were permitted in 2016; the YMCA renovation, construction of a new hotel, and a new building at Benedictine College.
- Expenditures – Several departments experienced significant savings against budget:
  - Finance – Costs incurred for group health insurance, and equipment repairs were lower than anticipated.
  - Municipal Court – Due to a staff change health insurance costs were over budget.
  - Community Development – the Community Development Director left employment in February 2015 and was not replaced that year. The 2016 budget did include hiring a new director, but ultimately it was decided not to fill the position resulting in significant budget savings on personnel costs. Budget savings were also experienced in expenditures on marketing and promotions, professional services and downtown activities.
  - Fire – Personnel costs were under budget overall. Budget savings for health insurance and worker's compensation premiums were offset by a large payout for sick and vacation time for a retiring employee.
  - Police – The department had personnel cost savings due to changes in worker's compensation rates and for the health insurance. Additionally, there were savings in budgeted overtime pay.

- Fleet Maintenance – This division was over budget in 2016 due to spending on parts and materials. There were a few instances of expensive, unexpected repairs to vehicles in 2016.
- Atchison Event Center – As noted above the Atchison Event Center did not meet revenue expectations but also saw savings against the expenditure budget leading to a smaller operating loss than in 2015. The Event Center did hold fewer events in 2016 compared to 2015.
- Public Works Administration – Personnel costs were under budget due to lower worker's compensation rates, health insurance savings and fewer part-time summer hires than were budgeted.
- Streets - Savings of \$37,000 were experienced because less crack seal funding was utilized. There were also fuel cost savings due to lower fuel prices, and fewer ice control materials were purchased due to a mild winter. These saving were offset but an unexpected repair that was needed for one of the department's large trucks.

## Capital Assets and Debt Administration

### Capital Assets

The City's total investment in capital assets as of December 31, 2016 was \$57,365,072 (net of accumulated depreciation). This is less than a 1% increase from 2015. A breakdown of assets by category is presented below.

<u>Capital Assets</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Land	\$ 2,555,008	\$ 2,555,008	\$ 101,537	\$ 101,537	\$ 2,656,545	\$ 2,656,545
Construction in Progress	708,772	531,069	749,272	9,846,017	1,458,044	10,377,086
Buildings and systems	3,912,638	3,628,924	31,485,139	22,736,381	35,397,777	26,365,305
Improvements	5,012,387	5,275,674	-	-	5,012,387	5,275,674
Machinery and equipment	1,517,795	1,660,234	2,218,948	1,329,018	3,736,743	2,989,252
Infrastructure	<u>9,103,576</u>	<u>9,316,291</u>	<u>-</u>	<u>-</u>	<u>9,103,576</u>	<u>9,316,291</u>
	<u>\$ 22,810,176</u>	<u>\$ 22,967,200</u>	<u>\$ 34,554,896</u>	<u>\$ 34,012,953</u>	<u>\$ 57,365,072</u>	<u>\$ 56,980,153</u>

The major additions to capital assets in 2016 were the ozone treatment system and filter system at the water plant, the CSO flood gates, and a new hangar building at the Amelia Earhart Airport. The largest projects in progress at year end were the South Atchison Trail and the separation of the 11<sup>th</sup> and 14<sup>th</sup> Street CSO.

Additional information regarding the City's capital assets can be found in Notes 1 and 5 in the notes to the financial statements.



## **Debt Administration**

**Long-term debt** – The outstanding general obligation bonds at December 31, 2016 totaled \$5,770,000 and the outstanding bonds supported by revenues of business activities were \$1,835,000, for a total outstanding bond debt of \$7,605,000. In addition, the City has loans with the State Revolving Loan Fund in the amount of \$17,104,755. These loans were used to finance water and wastewater system improvements. In the summer of 2014, Moody's Investor Services gave the City an "A1" credit rating, positively impacting rates for future bond issuances.

The ratio of general obligation bonded debt to assessed valuation and the amount of bonded debt per capita provide useful indicators of the City's debt position to citizens, elected officials, City management and investors. This data for the City at the end of 2016 is presented below.

	<b>Net General Obligation Debt</b>	<b>Ratio of Debt To Assessed Value</b>	<b>Debt Per Capita</b>
<b>2016</b>	\$5,770,000	8.92%	\$539

State statutes limit net general obligation debt to 30 percent of assessed value. At December 31, 2016 taxable assessed valuation was \$64,706,821 and net bonded debt was \$5,638,649. The City's debt margin totaled \$13,773,397.

Additional information regarding the City's debt can be found in Note 10 in the notes to the financial statements.

## **Requests for Information**

This financial report is designed to provide a general overview of the City's finances. In compliance with the Kansas Open Records Act, questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City Clerk, 515 Kansas Avenue, Atchison, Kansas 66002.

# Basic Financial Statements

2016

## CITY OF ATCHISON, KANSAS

## STATEMENT OF NET POSITION

December 31, 2016

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Public Library
Assets:				
Cash and cash equivalents	\$ 4,980,135	\$ 3,699,232	\$ 8,679,367	\$ 209,963
Restricted cash	-	2,200,284	2,200,284	-
Receivables, net of allowance for uncollectibles:				
Taxes	3,410,623	170,540	3,581,163	490,589
Intergovernmental	113,982	58,278	172,260	-
Accounts	126,999	849,489	976,488	-
Loans	59,823	-	59,823	-
Capital assets, net of accumulated depreciation:				
Land	2,555,008	101,537	2,656,545	8,995
Construction in progress	708,772	749,272	1,458,044	-
Books	-	-	-	59,723
Buildings and systems	3,912,638	31,485,139	35,397,777	883,857
Improvements	5,012,387	-	5,012,387	-
Machinery and equipment	1,517,795	2,218,948	3,736,743	85,868
Infrastructure	9,103,576	-	9,103,576	-
Total assets	<u>31,501,738</u>	<u>41,532,719</u>	<u>73,034,457</u>	<u>1,738,995</u>
Deferred outflows of resources:				
Deferred charge on refunding	-	66,712	66,712	-
Deferred outflows - pension	1,895,155	241,855	2,137,010	39,239
Total deferred outflows of resources	<u>1,895,155</u>	<u>308,567</u>	<u>2,203,722</u>	<u>39,239</u>
Liabilities:				
Accounts payable	409,337	307,979	717,316	5,804
Accrued liabilities	92,236	23,605	115,841	3,534
Accrued interest payable	57,064	185,405	242,469	-
Noncurrent liabilities:				
Due within one year	922,625	1,381,320	2,303,945	4,959
Due in more than one year	11,623,314	18,741,490	30,364,804	229,630
Total liabilities	<u>13,104,576</u>	<u>20,639,799</u>	<u>33,744,375</u>	<u>243,927</u>
Deferred inflows of resources:				
Deferred receivable - property taxes	3,002,931	-	3,002,931	490,589
Deferred inflows - pension	747,039	298,983	1,046,022	38,499
Total deferred inflows of resources	<u>3,749,970</u>	<u>298,983</u>	<u>4,048,953</u>	<u>529,088</u>
Net position:				
Net investment in capital assets	16,836,454	15,200,765	32,037,219	1,038,443
Restricted for:				
Other purposes	72,862	-	72,862	22,334
Capital projects	49,254	-	49,254	24,338
Unrestricted	(416,223)	5,701,739	5,285,516	(79,896)
Total net position	<u>\$ 16,542,347</u>	<u>\$ 20,902,504</u>	<u>\$ 37,444,851</u>	<u>\$ 1,005,219</u>

See accompanying notes to basic financial statements.

CITY OF ATCHISON, KANSAS  
STATEMENT OF ACTIVITIES  
Year Ended December 31, 2016

					Net (Expense) Revenue and Changes in Net Position			
Functions/Programs	Expenses	Program Revenues			Primary Government			Component
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	Unit
								Public Library
Primary government:								
Governmental activities:								
General government	\$ 2,960,219	\$ 477,994	\$ 174,965	\$ -	\$ (2,307,260)	\$ -	\$ (2,307,260)	\$ -
Public safety	3,466,334	70,453	-	7,532	(3,388,349)	-	(3,388,349)	-
Public works	1,931,845	349,890	284,996	215,891	(1,081,068)	-	(1,081,068)	-
Parks and recreation	352,838	-	32,106	-	(320,732)	-	(320,732)	-
Interest on long-term debt	182,710	-	-	-	(182,710)	-	(182,710)	-
Total governmental activities	8,893,946	898,337	492,067	223,423	(7,280,119)	-	(7,280,119)	-
Business-type activities:								
Water	2,832,061	4,244,775	-	-	-	1,412,714	1,412,714	-
Wastewater	1,808,674	2,694,359	-	8,360	-	894,045	894,045	-
Refuse	927,392	3,897	-	-	-	(923,495)	(923,495)	-
Total business-type activities	5,568,127	6,943,031	-	8,360	-	1,383,264	1,383,264	-
Total primary government	\$ 14,462,073	\$ 7,841,368	\$ 492,067	\$ 231,783	(7,280,119)	1,383,264	(5,896,855)	-
Component unit:								
Public Library	\$ 605,292	\$ 18,097	\$ 44,394	\$ -	-	-	-	(542,801)
General revenues:								
Property taxes					3,331,078	-	3,331,078	494,707
Sales taxes					1,646,986	964,161	2,611,147	-
Franchise taxes					1,336,005	-	1,336,005	-
Guest taxes					127,418	-	127,418	-
Payment in lieu of taxes					25,477	-	25,477	-
Unrestricted investment earnings					28,323	26,823	55,146	992
Gain on sale of capital assets					97,142	-	97,142	-
Transfers					981,827	(981,827)	-	-
Total general revenues and transfers					7,574,256	9,157	7,583,413	495,699
Change in net position					294,137	1,392,421	1,686,558	(47,102)
Net position, beginning of year					16,248,210	19,510,083	35,758,293	1,052,321
Net position, end of year					\$ 16,542,347	\$ 20,902,504	\$ 37,444,851	\$ 1,005,219

See accompanying notes to basic financial statements.

## CITY OF ATCHISON, KANSAS

BALANCE SHEET  
GOVERNMENTAL FUNDS

December 31, 2016

	General*	Capital Projects	Other Governmental Funds	Total Governmental Funds
Assets:				
Cash and cash equivalents	\$ 2,154,294	\$ 2,591,372	\$ 234,469	\$ 4,980,135
Receivables (net of allowance for uncollectibles):				
Taxes	2,719,783	-	690,840	3,410,623
Intergovernmental	-	104,334	9,648	113,982
Accounts	84,132	-	42,867	126,999
Loans	59,823	-	-	59,823
Total assets	<u>\$ 5,018,032</u>	<u>\$ 2,695,706</u>	<u>\$ 977,824</u>	<u>\$ 8,691,562</u>
Liabilities, deferred inflows of resources and fund balances:				
Liabilities:				
Accounts payable	\$ 327,784	\$ 69,642	\$ 11,911	\$ 409,337
Accrued payroll	92,236	-	-	92,236
Total liabilities	<u>420,020</u>	<u>69,642</u>	<u>11,911</u>	<u>501,573</u>
Deferred inflows of resources:				
Unavailable revenue-property taxes	<u>2,312,091</u>	<u>-</u>	<u>690,840</u>	<u>3,002,931</u>
Fund balances:				
Restricted:				
Substance abuse prevention and emergency shelter	-	-	10,002	10,002
Capital projects and maintenance	-	-	49,254	49,254
Public safety	-	-	2,870	2,870
Parks and recreation facilities	-	-	59,990	59,990
Debt service	-	-	17,725	17,725
Assigned:				
Purchases on order - finance	16,538	-	-	16,538
Subsequent year's budget- appropriation of fund balance	308,654	2,626,064	135,232	3,069,950
Unassigned	<u>1,960,729</u>	<u>-</u>	<u>-</u>	<u>1,960,729</u>
Total fund balances	<u>2,285,921</u>	<u>2,626,064</u>	<u>275,073</u>	<u>5,187,058</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 5,018,032</u>	<u>\$ 2,695,706</u>	<u>\$ 977,824</u>	<u>\$ 8,691,562</u>

\* See the General Fund Combining Balance Sheet on page 92.

See accompanying notes to basic financial statements.



CITY OF ATCHISON, KANSAS

RECONCILIATION OF THE BALANCE SHEET OF THE GOVERNMENTAL  
FUNDS TO THE STATEMENT OF NET POSITION

December 31, 2016

Total fund balance in governmental fund balance sheet	\$ 5,187,058
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	22,810,176
Deferred outflows represent a consumption of net position that applies to a future period and so will not be recognized as an expenditure of resources until then.	1,895,155
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	(12,603,003)
Deferred inflows of resources represent an acquisition of net position that applies to a future period and so will not be recognized as a revenue until then.	<u>(747,039)</u>
Net position of governmental activities	<u><u>\$ 16,542,347</u></u>

See accompanying notes to basic financial statements.

CITY OF ATCHISON, KANSAS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS

Year Ended December 31, 2016

	General*	Capital Projects	Other Governmental Funds	Total Governmental Funds
Revenues:				
Taxes:				
Property	\$ 2,578,990	\$ -	\$ 752,088	\$ 3,331,078
Sales	1,646,986	-	-	1,646,986
Franchise	1,336,005	-	-	1,336,005
Transient guest	127,418	-	-	127,418
Payments in lieu of taxes	25,477	-	-	25,477
Intergovernmental	102,092	107,462	419,941	629,495
Licenses and permits	171,778	-	-	171,778
Charges for services	379,515	-	-	379,515
Fines and fees	221,242	-	-	221,242
Interest on investments	12,533	13,529	2,261	28,323
Other	57,842	43,878	62,602	164,322
Total revenues	<u>6,659,878</u>	<u>164,869</u>	<u>1,236,892</u>	<u>8,061,639</u>
Expenditures:				
Current:				
General government	2,104,442	-	303,285	2,407,727
Public works	1,550,457	44,346	-	1,594,803
Public safety	3,090,783	-	9,385	3,100,168
Parks and recreation	288,704	-	7,249	295,953
Debt service:			-	
Principal	27,091	19,276	645,000	691,367
Interest and fiscal charges	1,273	-	188,815	190,088
Capital outlay	188,387	2,091,142	-	2,279,529
Total expenditures	<u>7,251,137</u>	<u>2,154,764</u>	<u>1,153,734</u>	<u>10,559,635</u>
Excess/(deficiency) of revenues over (under) expenditures	<u>(591,259)</u>	<u>(1,989,895)</u>	<u>83,158</u>	<u>(2,497,996)</u>
Other financing sources (uses):				
Sale of capital assets	89,469	-	-	89,469
Capital lease	-	179,712	-	179,712
Insurance proceeds	55,146	-	-	55,146
Transfers in	897,895	1,897,969	-	2,795,864
Transfers out	(441,168)	-	(107,500)	(548,668)
Total other financing sources (uses)	<u>601,342</u>	<u>2,077,681</u>	<u>(107,500)</u>	<u>2,571,523</u>
Net change in fund balances	10,083	87,786	(24,342)	73,527
Fund balances, beginning of year	2,275,838	2,538,278	299,415	5,113,531
Fund balances, end of year	<u>\$ 2,285,921</u>	<u>\$ 2,626,064</u>	<u>\$ 275,073</u>	<u>\$ 5,187,058</u>

\*See the General Fund Combining Statement of Revenues, Expenditures and Changes in Fund Balances on page 93.

See accompanying notes to basic financial statements.

CITY OF ATCHISON, KANSAS

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES OF THE GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES

Year Ended December 31, 2016

Amounts reported for governmental activities in the statement of activities  
are different because:

Net change in fund balances - total governmental funds	\$ 73,527
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	(157,024)
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	513,015
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	<u>(135,381)</u>
Change in net position of governmental activities	<u>\$ 294,137</u>

See accompanying notes to basic financial statements.

## CITY OF ATCHISON, KANSAS

STATEMENT OF NET POSITION  
PROPRIETARY FUNDS

December 31, 2016

	Water	Wastewater	Refuse	Total
<b>Assets:</b>				
Current assets:				
Cash and cash equivalents	\$ 1,580,742	\$ 1,741,189	\$ 377,301	\$ 3,699,232
Restricted cash	-	2,200,284	-	2,200,284
Receivables (net of allowance for uncollectibles):				
Accounts	528,178	320,615	696	849,489
Sales tax	-	-	170,540	170,540
Intergovernmental	4,818	53,460	-	58,278
Total current assets	<u>2,113,738</u>	<u>4,315,548</u>	<u>548,537</u>	<u>6,977,823</u>
Noncurrent assets:				
Capital assets:				
Land	84,396	17,141	-	101,537
Buildings and systems	33,781,197	17,895,997	-	51,677,194
Machinery and equipment	2,190,241	1,491,935	686,257	4,368,433
Construction in progress	33,864	715,408	-	749,272
Less accumulated depreciation	(11,286,701)	(10,630,248)	(424,591)	(22,341,540)
Total noncurrent assets	<u>24,802,997</u>	<u>9,490,233</u>	<u>261,666</u>	<u>34,554,896</u>
Total assets	<u>26,916,735</u>	<u>13,805,781</u>	<u>810,203</u>	<u>41,532,719</u>
Deferred outflows of resources:				
Deferred charge on refunding	66,712	-	-	66,712
Deferred outflows - pension	125,282	78,704	37,869	241,855
Total deferred outflows of resources	<u>191,994</u>	<u>78,704</u>	<u>37,869</u>	<u>308,567</u>
<b>Liabilities:</b>				
Current liabilities:				
Accounts payable	149,843	135,031	23,105	307,979
Accrued payroll	15,344	4,841	3,420	23,605
Accrued interest payable	167,599	17,806	-	185,405
Accrued compensated absences - current	24,988	2,277	5,649	32,914
Loans payable - current	248,962	-	-	248,962
Leases payable - current	-	39,487	84,957	124,444
General obligation bonds - current	975,000	-	-	975,000
Total current liabilities	<u>1,581,736</u>	<u>199,442</u>	<u>117,131</u>	<u>1,898,309</u>
Noncurrent liabilities:				
Accrued compensated absences	46,170	1,058	3,423	50,651
Net pension liability	354,730	222,845	107,222	684,797
Loans payable	14,511,844	2,343,949	-	16,855,793
Leases payable	-	81,751	177,026	258,777
General obligation bonds payable, net	891,472	-	-	891,472
Total noncurrent liabilities	<u>15,804,216</u>	<u>2,649,603</u>	<u>287,671</u>	<u>18,741,490</u>
Total liabilities	<u>17,385,952</u>	<u>2,849,045</u>	<u>404,802</u>	<u>20,639,799</u>
Deferred inflows of resources:				
Deferred inflows - pension	154,875	97,294	46,814	298,983
<b>Net position:</b>				
Net investment in capital assets	8,175,719	7,025,046	-	15,200,765
Unrestricted	1,392,183	3,913,100	396,456	5,701,739
Total net position	<u>\$ 9,567,902</u>	<u>\$ 10,938,146</u>	<u>\$ 396,456</u>	<u>\$ 20,902,504</u>

See accompanying notes to basic financial statements.

CITY OF ATCHISON, KANSAS

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
PROPRIETARY FUNDS

Year Ended December 31, 2016

	Water	Wastewater	Refuse	Total
Operating revenues:				
Charges for sales and services	\$ 4,244,775	\$ 2,694,359	\$ 3,897	\$ 6,943,031
Operating expenses:				
Personnel services	623,058	582,937	224,403	1,430,398
Contractual services	277,695	365,921	542,035	1,185,651
Supplies	455,742	51,065	58,203	565,010
Utilities	340,494	201,570	6,050	548,114
Depreciation and amortization	698,736	548,598	87,222	1,334,556
Total operating expenses	2,395,725	1,750,091	917,913	5,063,729
Operating income (loss)	1,849,050	944,268	(914,016)	1,879,302
Nonoperating revenues (expenses):				
Capital grants	-	8,360	-	8,360
Sales tax revenue	-	-	964,161	964,161
Interest revenue	7,773	17,360	1,690	26,823
Interest expense	(436,335)	(58,583)	(9,479)	(504,397)
Total nonoperating revenues (expenses)	(428,562)	(32,863)	956,372	494,947
Income before transfers and capital contributions	1,420,488	911,405	42,356	2,374,249
Capital contributions	1,265,368	-	-	1,265,368
Transfers in	-	54,642	92,181	146,823
Transfers out	(1,834,705)	(412,132)	(147,182)	(2,394,019)
Change in net position	851,151	553,915	(12,645)	1,392,421
Total net position, beginning of year	8,716,751	10,384,231	409,101	19,510,083
Total net position, end of year	\$ 9,567,902	\$ 10,938,146	\$ 396,456	\$ 20,902,504

See accompanying notes to basic financial statements.

# CITY OF ATCHISON, KANSAS

## STATEMENT OF CASH FLOWS PROPRIETARY FUNDS

Year Ended December 31, 2016

	Water	Wastewater	Refuse	Total
Cash flows from operating activities:				
Receipts from customers	\$ 4,241,815	\$ 2,685,115	\$ 3,748	\$ 6,930,678
Payments to suppliers	(991,491)	(561,914)	(599,259)	(2,152,664)
Payments to employees	(561,008)	(693,067)	(248,583)	(1,502,658)
Net cash provided by (used in) operating activities	2,689,316	1,430,134	(844,094)	3,275,356
Cash flows from noncapital financing activities:				
Proceeds from sales tax revenue	-	-	957,281	957,281
Transfers in from other funds	-	54,642	92,181	146,823
Transfers to other funds	(1,834,705)	(412,132)	(147,182)	(2,394,019)
Net cash provided by (used in) noncapital financing activities	(1,834,705)	(357,490)	902,280	(1,289,915)
Cash flows from capital and related financing activities:				
Acquisition and construction of capital assets	-	(611,130)	-	(611,130)
Proceeds from capital grants	-	8,360	-	8,360
Principal paid on general obligation bonds	(930,723)	-	-	(930,723)
Proceeds from capital debt	1,102,233	449,779	-	1,552,012
Principal paid on capital debt	(470,625)	(184,713)	-	(655,338)
Principal paid on capital leases	(43,708)	(38,583)	(82,702)	(164,993)
Interest paid on capital debt	(417,337)	(59,951)	(9,479)	(486,767)
Net cash used in capital and related financing activities	(760,160)	(436,238)	(92,181)	(1,288,579)
Cash flows from investing activities:				
Interest received	7,773	17,360	1,690	26,823
Net increase (decrease) in cash and cash equivalents	102,224	653,766	(32,305)	723,685
Cash and cash equivalents and restricted cash, beginning of year	1,478,518	3,287,707	409,606	5,175,831
Cash and cash equivalents and restricted cash, end of year	\$ 1,580,742	\$ 3,941,473	\$ 377,301	\$ 5,899,516

(Continued)



CITY OF ATCHISON, KANSAS

STATEMENT OF CASH FLOWS  
 PROPRIETARY FUNDS  
 (Continued)

Year Ended December 31, 2016

	Water	Wastewater	Refuse	Total
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:				
Operating income (loss)	\$ 1,849,050	\$ 944,268	\$ (914,016)	\$ 1,879,302
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Items not requiring cash:				
Depreciation and amortization expense	698,736	548,598	87,222	1,334,556
Changes in:				
Accounts receivable	(2,960)	(9,244)	(149)	(12,353)
Deferred outflows - pension	(49,241)	(5,568)	(5,052)	(59,861)
Accounts payable	82,440	56,642	7,029	146,111
Accrued compensated absences	4,919	(39,064)	22	(34,123)
Accrued payroll	(5,470)	(3,066)	(1,523)	(10,059)
Net pension liability	(13,157)	(130,991)	(51,547)	(195,695)
Deferred inflows - pension	124,999	68,559	33,920	227,478
Net cash provided by (used in) operating activities	<u>\$ 2,689,316</u>	<u>\$ 1,430,134</u>	<u>\$ (844,094)</u>	<u>\$ 3,275,356</u>

Noncash capital financing activities:

Contributions of capital assets of \$1,265,368 were acquired in the water fund from governmental funds.

See accompanying notes to basic financial statements.

CITY OF ATCHISON, KANSAS

STATEMENT OF NET POSITION  
FIDUCIARY FUNDS

December 31, 2016

	<u>Agency Funds</u>
Assets:	
Cash and cash equivalents	<u>\$        327,112</u>
Liabilities:	
Due to others	<u>\$        327,112</u>

See accompanying notes to basic financial statements.

CITY OF ATCHISON, KANSAS  
NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2016

1 - Summary of Significant Accounting Policies

Reporting Entity

The City of Atchison, Kansas (the City) was incorporated in 1858. The City operates under a City Commission - Manager form of government. The accompanying basic financial statements present the City (the primary government) and its component unit, an entity for which the City is considered to be financially accountable. The discretely presented component unit is reported in a separate column in the government-wide financial statements (see note below for the description) to emphasize that it is legally separate from the City.

*Discretely Presented Component Unit.* The Public Library (the Library) is operated by a Library Board which is appointed by the City Commission. The City levies and collects a special library tax to subsidize the Library's operations. The Library's operating budget is limited to seven mills by charter ordinance of the City Commission. The City must approve acquisition or disposition of real property by the Library, but the Library owns the capital assets. Bond issuances must also be approved by the City. The Library is presented as a governmental fund type. Separately issued financial statements for the Library are not available.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component unit. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from the legally separate component unit for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

CITY OF ATCHISON, KANSAS  
NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

1 - Summary of Significant Accounting Policies (Continued)

Government-Wide and Fund Financial Statements (Continued)

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and the major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. The agency funds do not have a measurement focus and use the accrual basis of accounting to report their financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are generally considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. A 90-day availability period is used for revenue recognition for all governmental funds revenues except property taxes. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

In applying the susceptible to accrual concept to intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance. There are, however, essentially two types of these revenues. In one, monies must be expended for the specific purpose or project before any amounts will be paid to the City; therefore, revenues are recognized based upon the expenditures recorded. In the other, monies are virtually unrestricted as to purpose of expenditure and are usually revocable only for failure to comply with prescribed requirements. These resources are reflected as revenues at the time of receipt, or earlier if the susceptible to accrual criteria are met.

CITY OF ATCHISON, KANSAS  
NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

1 - Summary of Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Property taxes, sales taxes, franchise taxes, interest associated with the current fiscal period, and certain state and federal grants and entitlements are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the City. While property taxes receivable are shown on the balance sheet as current assets of the City, they are not recognized as revenue at year end because statutory provisions prohibit their use until the year for which they were raised and budgeted. Instead, they are offset by unavailable revenue accounts.

The City reports the following major governmental funds:

The general fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. This fund accounts for the general operating transactions of the City including public safety, public works, parks, recreation, and administration.

The capital projects fund is a fund used by the City for the acquisition and construction of major facilities other than those financed by the enterprise funds.

The City reports the following major proprietary funds:

The water fund accounts for the operation and maintenance activities of the City's water distribution system.

The wastewater fund accounts for the operation and maintenance activities of the City's wastewater collection and treatment system.

The refuse fund accounts for the operation and maintenance of the City's refuse service.

Additionally, the City reports the following fund type:

Agency funds are used to report resources held by the City in a custodial capacity for remittance to private organizations. These funds are held on behalf of the Amelia Earhart Festival, Santa Fe Depot Enhancement, Veteran's Memorial Park, Jackson Park Revitalization and the White Clay Watershed District.

CITY OF ATCHISON, KANSAS  
NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

1 - Summary of Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the City's water/wastewater function and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water and wastewater funds are charges to customers for sales and services. Operating expenses for the water and wastewater funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

Pooled Cash and Investments

Cash and cash equivalents of the individual funds are combined to form a pool that is managed by the Director of Finance. Each fund's equity in the pool is included in "cash and cash equivalents" in the financial statements. These pooled funds consist of operating accounts. Investment earnings, including interest income, are allocated to the funds required to accumulate interest; other investment earnings are allocated based on management discretion and upon their average monthly equity balances. If a fund is not required to account for its own earnings by law or regulation, the earnings are allocated to the General Fund. For the fiscal year ended December 31, 2016, interest earnings allocated to the various funds were \$ 55,146.



CITY OF ATCHISON, KANSAS  
NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

1 - Summary of Significant Accounting Policies (Continued)

Cash Flows Statement

For purposes of the cash flows statement, the City considers deposits and highly liquid investments with an original maturity of three months or less to be cash equivalents.

Receivables and Payables

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the non-current portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

All trade accounts receivable are shown net of an allowance for uncollectibles. Management records a trade accounts receivable allowance based on percentages of collection estimated from the aging of the accounts receivable. At December 31, 2016, an allowance for uncollectible receivables of approximately \$ 927,000 has been recorded.

Governmental funds report unavailable revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. Governmental funds unavailable revenue is reported as follows:

General fund property tax receivable	\$ 2,312,091
Debt service fund property tax receivable	<u>690,840</u>
	<u><u>\$ 3,002,931</u></u>

Property Taxes

The City's property taxes are levied each year on the assessed value of all real estate listed as of the prior January 1, the lien date. Assessed values are established by the Atchison County Assessor. The assessed value for property located in the City on which the 2016 levy was based was \$ 72,712,111.

CITY OF ATCHISON, KANSAS  
NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

1 - Summary of Significant Accounting Policies (Continued)

Property Taxes (Continued)

Property taxes are legally restricted for use in financing operations of the ensuing year. Accordingly, the City defers revenue recognition until the year for which they are to be used. Property taxes are levied on November 1. Property owners have the option of paying one-half or the full amount of the taxes levied on or before December 20 during the year levied with the balance to be paid on or before May 10 of the ensuing year. Property taxes become delinquent on December 20 of each fiscal year if the taxpayer has not remitted at least one-half of the amount due. The 2015 tax levy per \$ 1,000 of assessed valuation which supports the 2016 budget was as follows:

General Fund	\$ 36.224
Debt Service Fund	10.887
Component unit:	
Public Library	<u>7.000</u>
	<u><u>\$ 54.111</u></u>

Taxes receivable represent property taxes levied for 2016 and prior years that have not yet been collected, net of estimated uncollectibles.

Restricted Assets

Restricted cash is set aside in the wastewater fund for wastewater capital improvements.

Capital Assets

Capital assets, which include property, plant, equipment, infrastructure (e.g., roads, bridges, sidewalks and similar items) and construction in progress are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined as assets with an initial individual cost of more than \$ 2,500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation.

CITY OF ATCHISON, KANSAS  
NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

1 - Summary of Significant Accounting Policies (Continued)

Capital Assets (Continued)

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Capital assets of the primary government, as well as the component units, are depreciated using the straight-line method over the following estimated useful lives.

Buildings and systems	20 - 40 years
Improvements	20 years
Machinery and equipment	3 - 10 years
Infrastructure	40 years

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The City has two items that qualify for reporting in this category. They are the deferred charge on refunding and deferred outflows – pension reported in the government-wide and proprietary fund statements of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. See Note 6 for more information on the deferred outflows for the pension.

CITY OF ATCHISON, KANSAS  
NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

1 - Summary of Significant Accounting Policies (Continued)

Deferred Outflows/Inflows of Resources (Continued)

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The City has two types of items that qualify for reporting in this category. One item, *unavailable revenue/deferred receivable*, is reported in the governmental funds balance sheet and the governmental activities in the government-wide statement of net position. The governmental funds and activities report unavailable revenues from one source: property taxes. Governmental activities report a deferred receivable from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The other item is deferred inflows for pension. See Note 6 for more information on the deferred inflows for the pension.

Compensated Absences

Under the terms of the City's personnel policy, City employees are granted vacation and sick leave in varying amounts. In the event of termination, an employee with twenty years of service or more will receive accumulated sick leave up to a maximum of 120 days and all accumulated vacation leave, provided the employee has met all conditions set forth in Section VI of the City's personnel policy. An employee with fifteen to twenty years of service will receive one-half of accumulated sick leave, which is limited to a maximum of forty-five days, and all accumulated vacation leave in the event of termination. An employee with ten to fifteen years of service will receive one-fourth of accumulated sick leave, which is limited to a maximum of fifteen days, and all accumulated vacation leave in the event of termination. All vacation leave is accrued when incurred and the varying amounts of accumulated sick leave are accrued upon attaining ten, fifteen and twenty years of service in the government-wide and proprietary financial statements. In the governmental fund financial statements, a liability is accrued when it has matured, for example, as a result of employee resignations and retirements.

CITY OF ATCHISON, KANSAS  
NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

1 - Summary of Significant Accounting Policies (Continued)

Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of KPERS and additions to/deductions from KPERS's fiduciary net position have been determined on the same basis as they are reported by KPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Fund Balances

As prescribed by GASB Statement No. 54, governmental funds report fund balance classifications based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the funds can be spent. As of December 31, 2016, fund balances for governmental funds are made up of the following:

*Nonspendable fund balance* – includes amounts that are (a) not in spendable form, or (b) legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash, for example: inventories, prepaid amounts, and long-term notes receivable.

CITY OF ATCHISON, KANSAS  
NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

1 - Summary of Significant Accounting Policies (Continued)

Fund Balances (Continued)

*Restricted fund balance* – includes amounts that can be spent only for the specific purposes stipulated by external resource providers, constitutionally or through enabling legislation. Restrictions may effectively be changed or lifted only with the consent of resource providers.

*Committed fund balance* – includes amounts that can only be spent for specific purposes determined by a formal action (adoption of an ordinance) of the City's highest level of decision-making authority, the City Commission. Commitments may be changed or lifted only by the City Commission taking the same formal action that imposed the constraint originally.

*Assigned fund balance* – includes amounts intended to be used by the City for specific purposes that are neither restricted nor committed. Intent is expressed by (1) the City Commission or (2) a body or official to which the City Commission has delegated the authority by resolution to assign amounts to be used for specific purposes.

*Unassigned fund balance* – is the residual classification for the General Fund and includes all amounts not contained in other classifications. Unassigned amounts are technically available for any purpose.

The general fund is the only fund that reports a positive unassigned fund balance amount. In other governmental funds it is not appropriate to report a positive unassigned fund balance amount. However, in governmental funds other than the general fund, if expenditures incurred for specific purposes exceed the amounts that are restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance in that fund.

In circumstances when an expenditure is made for a purpose for which amounts are available in multiple fund balance classifications, fund balance is depleted in the order of restricted, committed, assigned, and unassigned.

Concentrations of Credit Risk

Unsecured credit is extended to customers for water and sewer fees and charges for services. Intergovernmental receivables include unsecured amounts due from federal, state and county agencies for various grant programs.



CITY OF ATCHISON, KANSAS  
NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

1 - Summary of Significant Accounting Policies (Continued)

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Pending Governmental Accounting Standards Board Statements

At December 31, 2016, the Governmental Accounting Standards Board (GASB) had issued several statements not yet implemented by the City. The statements that might impact the City are as follows:

GASB Statement No. 75, Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions, replaces the requirements of GASB Statement No. 45, Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions, and requires governments to report a liability on the face of the financial statements for the OPEB that they provide. Statement No. 75 requires governments in all types of OPEB plans to present more extensive note disclosures and required supplementary information (RSI) about the OPEB liabilities. Among the new note disclosures is a description of the effect on the reported OPEB liability of using a discount rate and a healthcare cost trend rate that are one percentage point higher and one percentage point lower than assumed by the government. The new RSI includes a schedule showing the causes of increases and decreases in the OPEB liability and a schedule comparing a government's actual OPEB contributions to its contribution requirements. The provisions of this statement are effective for periods beginning after June 15, 2017.

CITY OF ATCHISON, KANSAS  
NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

1 - Summary of Significant Accounting Policies (Continued)

Pending Governmental Accounting Standards Board Statements (Continued)

GASB Statement No. 80, Blending Requirements for Certain Component Units – an Amendment of GASB Statement No. 14, was issued in January 2016. The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, The Financial Reporting Entity, as amended. This Statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, Determining Whether Certain Organizations Are Component Units. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016. Earlier application is encouraged.

GASB Statement No. 81, Irrevocable Split-Interest Agreements, improves accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. This statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. A government must also recognize assets representing its beneficial interest in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This statement requires that a government recognize revenue when the resources become applicable to the reporting period. The provisions of this statement are effective for periods beginning after December 15, 2016.

CITY OF ATCHISON, KANSAS  
NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

1 - Summary of Significant Accounting Policies (Continued)

Pending Governmental Accounting Standards Board Statements (Continued)

GASB Statement No. 82, Pension Issues – an Amendment of GASB Statements No. 67, No. 68 and No. 73 was issued in March 2016. The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, Financial Reporting for Pension Plans, No. 68, Accounting and Financial Reporting for Pensions, and No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016, except for the requirements of this Statement for the selection of assumptions in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017. Earlier application is encouraged.

GASB Statement No. 84, Fiduciary Activities, improves guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The statement establishes criteria for identifying fiduciary activities, with the focus of the criteria on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. An activity meeting the criteria should be reported in a fiduciary fund. The requirements of this statement are effective for periods beginning after December 15, 2018.

GASB Statement No. 85, Omnibus 2017, addresses practice issues that have been identified during implementation and application of certain GASB Statements, including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits. The requirements of this statement are effective for periods beginning after June 15, 2017.

CITY OF ATCHISON, KANSAS  
NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

2 - Reconciliation of Government-Wide and Fund Financial Statements

Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-Wide Statement of Net Position

The governmental fund balance sheet includes a reconciliation between fund balance – total governmental funds and net position of governmental activities as reported in the government-wide statement of net position. One element of that reconciliation explains that “Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.” The details of this \$ (12,603,003) difference are as follows:

Bonds payable	\$ (5,770,000)
Bond premium	(24,010)
Capital leases payable	(179,712)
Accrued interest payable	(57,064)
Compensated absences	(574,458)
Net pension liability	(5,234,285)
Net other postemployment benefit obligation	<u>(763,474)</u>
Net adjustment to decrease fund balance - total governmental funds to arrive at net position - governmental activities	<u><u>\$ (12,603,003)</u></u>

CITY OF ATCHISON, KANSAS  
NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

2 - Reconciliation of Government-Wide and Fund Financial Statements (Continued)

Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances and the Government-Wide Statement of Activities

The governmental fund statement of revenues, expenditures and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and change in net position of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that “Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.” The details of this \$ (157,024) difference are as follows:

Capital outlay	\$ 968,796
Depreciation expense	<u>(1,125,820)</u>
Net adjustment to decrease net change in fund balances - total governmental funds to arrive at change in net position of governmental activities	<u><u>\$ (157,024)</u></u>

CITY OF ATCHISON, KANSAS  
NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

2 - Reconciliation of Government-Wide and Fund Financial Statements (Continued)

Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances and the Government-Wide Statement of Activities (Continued)

Another element of that reconciliation states that “The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.” The details of this \$ 513,015 difference are as follows:

Principal repayments:	
General obligation bonds	\$ 664,277
Capital leases	27,091
Amortization of bond premium	1,359
Issuance:	
Capital leases	(179,712)
Net adjustment to increase net change in fund balances - total governmental funds to arrive at change in net position of governmental activities	<u>\$ 513,015</u>

Another element of that reconciliation states that “Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.” The details of this \$ (135,381) difference are as follows:

Compensated absences	\$ 32,913
Accrued interest	6,019
Pension contributions	(43,582)
Net other postemployment benefit obligation	(130,731)
Net adjustment to decrease net change in fund balances - total governmental funds to arrive at change in net position of governmental activities	<u>\$ (135,381)</u>

CITY OF ATCHISON, KANSAS  
NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

3 - Stewardship, Compliance and Accountability

Budgetary Information

Applicable Kansas statutes require that budgets be legally adopted for all funds unless exempted by a specific statute. Legal operating budgets are required for the General, Special Alcohol, Special Parks and Recreation, Motor Fuel, and the Debt Service Funds. Budgets are not required for the Law Enforcement, DARE, Grants, Insurance Reserve, Capital Projects, Municipal Equipment Reserve, Façade Improvements, Water, Wastewater and Refuse Funds. All budgets are prepared utilizing the modified accrual basis further modified by the encumbrance method of accounting - that is, commitments such as purchase orders and contracts, in addition to disbursements and accounts payable, are recorded as expenditures.

The statutes provide for the following sequence and timetable in the adoption of the legal annual operating budget:

1. Preparation of the budget for the succeeding calendar year on or before August 1st.
2. Publication in a local newspaper of the proposed budget and notice of public hearing on the budget on or before August 5th.
3. Public hearing on or before August 15th, but at least ten days after publication of notice of hearing.
4. Adoption of the final budget on or before August 25th.

Kansas statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in revenue other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least ten days after publication, the hearing may be held and the governing body may amend the budget at that time. There were no budget amendments for the year ended December 31, 2016.

Under Kansas statutes management cannot amend the total budget of a fund without approval of the governing body; however, the statutes permit transferring budgeted amounts between line items within an individual fund or department. Therefore, the legal level of control is at the fund level for all legally adopted budgets. The City has elected to pursue a policy of requiring approval of the City Manager on major category changes exceeding \$ 5,000. City Commission approval is not needed for category changes or budget transfers between departments within the approved budget. Major category means total personnel services, total contractual services, total materials and supplies, total other charges, or total capital outlay.

CITY OF ATCHISON, KANSAS  
NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

4 - Deposits and Investments

*Credit risk*

Kansas statutes authorize the City and the Library, with certain restrictions, to deposit or invest in temporary notes, no-fund warrants, open accounts, time deposits, certificates of deposit, repurchase agreements, U.S. Treasury Bills and Notes, the municipal investment pool, or to make direct investments. City Resolution 4896 further limits the investment of temporarily idle funds of the City to either, or all, of the following:

1. Direct obligations of the United States Government.
2. Temporary notes of the City.
3. Interest bearing certificates of deposit of the depository banks of the City.
4. Interest bearing accounts with federally insured savings and loan associations in such amounts not exceeding such federal insurance.

*Custodial Credit Risk*

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned. Kansas statutes require that deposits be collateralized, and that collateral pledged must have a fair market value equal to 100% of the deposits and investments, less insured amounts, and must be assigned for the benefit of the City. At December 31, 2016, the City's deposits were not exposed to custodial credit risk. The deposits for the Library were not exposed to custodial credit risk.



CITY OF ATCHISON, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

5 - Capital Assets

Capital asset activity for the year ended December 31, 2016 was as follows:

Primary Government

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 2,555,008	\$ -	\$ -	\$ 2,555,008
Construction in progress	531,069	434,419	(256,716)	708,772
Total capital assets not being depreciated	3,086,077	434,419	(256,716)	3,263,780
Capital assets being depreciated:				
Buildings and systems	5,439,929	404,421	-	5,844,350
Improvements	8,521,065	46,842	-	8,567,907
Machinery and equipment	5,190,721	211,538	(175,104)	5,227,155
Infrastructure	23,197,226	128,292	-	23,325,518
Total capital assets being depreciated	42,348,941	791,093	(175,104)	42,964,930
Less accumulated depreciation for:				
Buildings and systems	(1,811,005)	(120,707)	-	(1,931,712)
Improvements	(3,245,391)	(310,129)	-	(3,555,520)
Machinery and equipment	(3,530,487)	(353,977)	175,104	(3,709,360)
Infrastructure	(13,880,935)	(341,007)	-	(14,221,942)
Total accumulated depreciation	(22,467,818)	(1,125,820)	175,104	(23,418,534)
Total capital assets being depreciated, net	19,881,123	(334,727)	-	19,546,396
Governmental activities capital assets, net	\$ 22,967,200	\$ 99,692	\$ (256,716)	\$ 22,810,176

CITY OF ATCHISON, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

5 - Capital Assets (Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Business-type activities:</b>				
Capital assets not being depreciated:				
Land	\$ 101,537	\$ -	\$ -	\$ 101,537
Construction in progress	9,846,017	46,324	(9,143,069)	749,272
Total capital assets not being depreciated	9,947,554	46,324	(9,143,069)	850,809
Capital assets being depreciated:				
Buildings and systems	41,900,011	9,777,183	-	51,677,194
Machinery and equipment	3,215,830	1,196,061	(43,458)	4,368,433
Total capital assets being depreciated	45,115,841	10,973,244	(43,458)	56,045,627
Less accumulated depreciation for:				
Buildings and systems	(19,163,630)	(1,028,425)	-	(20,192,055)
Machinery and equipment	(1,886,812)	(306,131)	43,458	(2,149,485)
Total accumulated depreciation	(21,050,442)	(1,334,556)	43,458	(22,341,540)
Total capital assets being depreciated, net	24,065,399	9,638,688	-	33,704,087
Business-type activities capital assets, net	\$ 34,012,953	\$ 9,685,012	\$ (9,143,069)	\$ 34,554,896

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General government	\$ 467,693
Public safety	257,625
Public works	353,845
Parks and recreation	46,657
Total depreciation expense - governmental activities	\$ 1,125,820
Business-type activities:	
Water	\$ 698,736
Wastewater	548,598
Refuse	87,222
Total depreciation expense - business-type activities	\$ 1,334,556

CITY OF ATCHISON, KANSAS  
NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

5 - Capital Assets (Continued)

Discretely Presented Component Unit

Capital asset activity for the Library for the year ended December 31, 2016 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Library:</b>				
Capital assets not being depreciated:				
Land	\$ 8,995	\$ -	\$ -	\$ 8,995
Capital assets being depreciated:				
Buildings and systems	887,541	346,581	-	1,234,122
Books	537,483	35,038	(86,745)	485,776
Machinery and equipment	173,917	5,604	-	179,521
Total capital assets being depreciated	1,598,941	387,223	(86,745)	1,899,419
Less accumulated depreciation for:				
Buildings and systems	(314,072)	(36,193)	-	(350,265)
Books	(467,418)	(45,380)	86,745	(426,053)
Machinery and equipment	(73,657)	(19,996)	-	(93,653)
Total accumulated depreciation	(855,147)	(101,569)	86,745	(869,971)
Total capital assets being depreciated, net	743,794	285,654	-	1,029,448
Library capital assets, net	<u>\$ 752,789</u>	<u>\$ 285,654</u>	<u>\$ -</u>	<u>\$ 1,038,443</u>

CITY OF ATCHISON, KANSAS  
NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

6 - Pension Plan

General Information About the Pension Plan

*Description of Pension Plan.* The City and the Library participate in a cost-sharing multiple-employer defined benefit pension plan (Pension Plan), as defined in Governmental Accounting Standards Board Statement No. 67, *Financial Reporting for Pension Plans*. The Pension Plan is administered by the Kansas Public Employees Retirement System (KPERS), a body corporate and an instrumentality of the State of Kansas. KPERS provides benefit provisions to the following statewide pension groups under one plan, as provided by K.S.A. 74, article 49:

- Public employees, which includes:
  - State/School employees
  - Local employees
- Police and Firemen
- Judges

Substantially all public employees in Kansas are covered by the Pension Plan. Participation by local political subdivisions is optional, but irrevocable once elected.

Those employees participating in the Pension Plan for the City and the Library are included in the Local and Police and Firemen employee groups.

KPERS issues a stand-alone comprehensive annual financial report, which is available on the KPERS website at [www.kpers.org](http://www.kpers.org).

*Benefits Provided.* KPERS provides retirement benefits, life insurance, disability income benefits, and death benefits. Benefits are established by statute and may only be changed by the Kansas Legislature. Member employees (except police and firemen) with ten or more years of credited service may retire as early as age 55 (police and firemen may be age 50 with 20 years of credited service), with an actuarially reduced monthly benefit. Normal retirement is at age 65, age 62 with ten years of credited service, or whenever an employee's combined age and years of credited service equal 85 points (police and firemen normal retirement ages are age 60 with 15 years of credited service, age 55 with 20 years, age 50 with 25 years, or any age with 36 years of service).

CITY OF ATCHISON, KANSAS  
NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

6 - Pension Plan (Continued)

General Information About the Pension Plan (Continued)

Monthly retirement benefits are based on a statutory formula that includes final average salary and years of service. When ending employment, member employees may withdraw their contributions from their individual accounts, including interest. Member employees who withdraw their accumulated contributions lose all rights and privileges of membership. For all pension coverage groups, the accumulated contributions and interest are deposited into and disbursed from the membership accumulated reserve fund as established by K.S.A. 74-4922.

Member employees choose one of seven payment options for their monthly retirement benefits. At retirement a member employee may receive a lump-sum payment of up to 50% of the actuarial present value of the member employee's lifetime benefit. His or her monthly retirement benefit is then permanently reduced based on the amount of the lump sum. Benefit increases, including ad hoc post-retirement benefit increases, must be passed into law by the Kansas Legislature. Benefit increases are under the authority of the Legislature and the Governor of the State of Kansas.

The 2012 Legislature made changes affecting new hires, current members and employers. A new KPERS 3 cash balance retirement plan for new hires starting January 1, 2015, was created. Normal retirement age for KPERS 3 is 65 with five years of service or 60 with 30 years of service. Early retirement is available at age 55 with ten years of service, with a reduced benefit. Monthly benefit options are an annuity benefit based on the account balance at retirement.

For all pension coverage groups, the retirement benefits are disbursed from the retirement benefit payment reserve fund as established by K.S.A. 74-4922.

*Contributions.* K.S.A. 74-4919 and K.S.A. 74-49,210 establish the KPERS member-employee contribution rates. KPERS has multiple benefit structures and contribution rates depending on whether the employee is a KPERS 1, KPERS 2 or KPERS 3 member. KPERS 1 members are active and contributing members hired before July 1, 2009. KPERS 2 members were first employed in a covered position on or after July 1, 2009, and KPERS 3 members were first employed in a covered position on or after January 1, 2015. Effective January 1, 2015, Kansas law established the KPERS member-employee contribution rate at 6% of covered salary for KPERS 1, KPERS 2 and KPERS 3 members. K.S.A. 74-4975 establishes the Police and Firemen (KP&F) member-employee contribution rate at 7.15% of covered salary. Member contributions are withheld by their employer and paid to KPERS according to the provisions of Section 414(h) of the Internal Revenue Code.

CITY OF ATCHISON, KANSAS  
NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

6 - Pension Plan (Continued)

General Information About the Pension Plan (Continued)

State law provides that the employer contribution rates are determined based on the results of an annual actuarial valuation for each of the three state-wide pension groups. The contributions and assets of all groups are deposited in the Kansas Public Employees Retirement Fund established by K.S.A. 74-4921. KPERS is funded on an actuarial reserve basis.

For KPERS fiscal years beginning in 1995, Kansas legislation established statutory limits on increases in contribution rates for KPERS employers. Annual increases in the employer contribution rates related to subsequent benefit enhancements are not subject to these limitations. The statutory cap increase over the prior year contribution rate is 1.1% of total payroll for the KPERS fiscal year ended June 30, 2016.

The actuarially determined employer contribution rate (not including the 1% contribution rate for the Death and Disability Program) and the statutory contribution rate was 9.18% for KPERS and 20.42% for KP&F for the year ended December 31, 2016. Contributions to the Pension Plan from the City were \$ 235,448 for KPERS and \$ 389,516 for KP&F for the year ended December 31, 2016. Contributions from the Library for KPERS were \$ 23,076 for the year ended December 31, 2016.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At December 31, 2016, the City reported a liability of \$ 1,787,050 for KPERS and \$ 4,132,032 for KP&F and the Library reported a liability of \$ 225,294 for KPERS for their proportionate share of the KPERS collective net pension liability. The collective net pension liability was measured by KPERS as of June 30, 2016, and the total pension liability used to calculate the collective net pension liability was determined by an actuarial valuation as of December 31, 2015, which was rolled forward to June 30, 2016.

CITY OF ATCHISON, KANSAS  
NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

6 - Pension Plan (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

Although KPERS administers one cost-sharing multiple-employer defined benefit pension plan, separate (sub) actuarial valuations are prepared to determine the actuarial determined contribution rate by group. Following this method, the measurement of the collective net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense are determined separately for each of the following groups of the plan:

- State/School
- Local
- Police and Firemen
- Judges

To facilitate the separate (sub) actuarial valuations, KPERS maintains separate accounts to identify additions, deductions, and fiduciary net position applicable to each group. The allocation percentages presented for each group in the schedule of employer and nonemployer allocations are applied to amounts presented in the schedules of pension amounts by employer and nonemployer. The City's proportion of the collective net pension liability was based on the ratio of the City's actual contributions to KPERS and KP&F, relative to the total employer and nonemployer contributions of the Local group and Police and Firemen group within KPERS for the KPERS fiscal year ended June 30, 2016. The contributions used exclude contributions made for prior service, excess benefits and irregular payments. At June 30, 2016 the City's proportion for KPERS was .115515%, which was a decrease of .062829% from its proportion measured as of June 30, 2015. At June 30, 2016, the City's proportion for KP&F was .444896%, which was an increase of .088679% from its proportion measured as of June 30, 2015. At June 30, 2016, the Library's proportion for KPERS was .014563%, which is a decrease of .000162% from its proportion measured as of June 30, 2015.

CITY OF ATCHISON, KANSAS  
NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

6 - Pension Plan (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

For the year ended December 31, 2016, the City recognized pension expense of \$ 79,113 for KPERS, \$ 561,992 for KP&F and \$ 10,972 for the Library. At December 31, 2016, the City and the Library reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

City		
	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 228,456	\$ 74,896
Net difference between projected and actual earnings on pension plan investments	752,116	-
Change of assumptions	-	42,192
Changes in proportionate share	843,284	928,934
City contributions subsequent to measurement date	313,154	-
Total	<u>\$ 2,137,010</u>	<u>\$ 1,046,022</u>
Library		
	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 1,308	\$ 4,066
Net difference between projected and actual earnings on pension plan investments	26,614	-
Change of assumptions	-	2,107
Changes in proportionate share	-	32,326
Library contributions subsequent to measurement date	11,317	-
Total	<u>\$ 39,239</u>	<u>\$ 38,499</u>



CITY OF ATCHISON, KANSAS  
NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

6 - Pension Plan (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

The \$ 313,154 and \$ 11,317 for the City and the Library, respectively, reported as deferred outflows of resources related to pensions resulting from the City's and Library's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ended December 31, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	City
2017	\$ 116,192
2018	116,192
2019	336,839
2020	205,056
2021	3,555
	<u>\$ 777,834</u>
Year Ended June 30,	Library
2017	\$ (7,154)
2018	(7,154)
2019	1,536
2020	2,266
2021	(71)
	<u>\$ (10,577)</u>

CITY OF ATCHISON, KANSAS  
NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

6 - Pension Plan (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

*Actuarial assumptions.* The total pension liability for KPERS in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Price inflation	3.00 percent
Wage inflation	4.00 percent
Salary increases, including price inflation	4.00 to 16.00 percent, including inflation
Long-term rate of return net of investment expense, and including price inflation	8.00 percent

Mortality rates were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The actuarial assumptions used in the December 31, 2015 valuation were based on the results of an actuarial experience study conducted for the three year period ending December 31, 2012.

CITY OF ATCHISON, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

6 - Pension Plan (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the Pension Plan's target asset allocations as of June 30, 2016 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global equity	47%	6.80%
Fixed income	13%	1.25%
Yield driven	8%	6.55%
Real return	11%	1.71%
Real estate	11%	5.05%
Alternatives	8%	9.85%
Short-term investments	2%	(0.25%)
Total	100%	

*Discount rate.* The discount rate used by KPERS to measure the total pension liability was 8.00%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the contractually required rate. The Local employers do not necessarily contribute the full actuarial determined rate. Based on legislation passed in 1993, the employer contribution rates certified by the KPERS Board of Trustees for this group may not increase by more than the statutory cap. The expected KPERS employer statutory contribution was modeled for future years, assuming all actuarial assumptions are met in future years. Employers contribute the full actuarial determined rate for KP&F. Future employer contribution rates were also modeled for KP&F assuming all actuarial assumptions are met in future years. Based on those assumptions, the Pension Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

CITY OF ATCHISON, KANSAS  
NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

6 - Pension Plan (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

*Sensitivity of the City's proportionate share of the collective net pension liability to changes in the discount rate.* The following presents the City's and the Library's proportionate share of the collective net pension liability calculated using the discount rate of 8.00%, as well as what the proportionate share of the collective net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7.00%) or 1-percentage-point higher (9.00%) than the current rate:

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
City's KPERS proportionate share of the collective net pension liability	\$ 2,449,443	\$ 1,787,050	\$ 1,225,395
City's KP&F proportionate share of the collective net pension liability	5,668,302	4,132,032	2,834,062
Atchison Public Library's KPERS proportionate share of the collective net pension liability	308,802	225,294	154,486

*Pension plan fiduciary net position.* Detailed information about the Pension Plan's fiduciary net position is available in the separately issued KPERS financial report.

CITY OF ATCHISON, KANSAS  
NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

7 - Other Postemployment Healthcare Benefits

Description. The City offers postemployment health insurance to retired employees. The benefits are provided through a single employer defined benefit postemployment healthcare plan administered by the City. Kansas statutes provide that postemployment healthcare benefits be extended to retired employees who have met age and/or service eligibility requirements until the individuals become eligible for Medicare coverage at age 65. The medical insurance benefit provides the same coverage for retirees and their dependents as for active employees and their dependents. The benefit is available for selection at retirement and is extended to early retirees with at least ten years of service and their dependents until the individuals become eligible for Medicare at 65. The plan does not issue a stand-alone financial report.

Funding Policy. The City provides health insurance benefits to retirees and their dependents in accordance with Kansas law (K.S.A. 12-5040). Kansas statutes, which may be amended by the state legislature, establish that participating retirees may be required to contribute to the employee group health benefits plan, including administrative costs at an amount not to exceed 125 percent of the premium cost for other similarly situated employees. The City requires participating retirees to contribute 100 percent of the composite premium cost of active employees to maintain coverage.

The City appropriates funds annually for the costs associated with this retirement benefit and provides funding for the expenditures on a pay-as-you-go basis through the General Fund. In 2016, the City contributed \$ 4,611 to the plan and participating retirees contributed \$ 0.

Annual OPEB Cost and Net OPEB Obligation. The City's annual OPEB (other post employment benefit) cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period of not to exceed thirty years. The following table presents the components of the City's annual OPEB cost for the year, the amount contributed to the plan, and changes in the City's net OPEB obligation.

CITY OF ATCHISON, KANSAS  
NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

7 - Other Postemployment Healthcare Benefits (Continued)

Annual required contribution	\$ 146,436
Interest on net OPEB obligation	22,146
Adjustment to annual required contribution	<u>(33,240)</u>
Annual OPEB cost (expense)	135,342
Contributions made	<u>(4,611)</u>
Increase in net OPEB obligation	130,731
Net OPEB obligation, January 1, 2016	<u>632,743</u>
Net OPEB obligation, December 31, 2016	<u><u>\$ 763,474</u></u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2016 and each of the two preceding years was as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2014	\$ 140,055	3%	\$ 499,546
2015	\$ 137,678	3%	\$ 632,743
2016	\$ 135,342	3%	\$ 763,474

Funded Status and Funding Progress. As of December 31, 2014, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$ 1,125,310. The City's policy is to fund the benefits on a pay-as-you-go basis, resulting in an unfunded actuarial accrued liability (UAAL) of \$ 1,125,310. The covered payroll (annual payroll of active employees covered by the plan) was \$ 4,294,868 and the ratio of the UAAL to the covered payroll was 26.2%.

CITY OF ATCHISON, KANSAS  
NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

7 - Other Postemployment Healthcare Benefits (Continued)

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. The valuation includes, for example, assumptions about future employment, mortality and the healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with the past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of benefits provided at the time of valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and actuarial value of assets, consistent with the long-term perspective of the calculations.

In the December 31, 2014 actuarial valuation, the projected unit credit method was applied. The actuarial assumptions included a 3.5 percent discount rate, which reflects the expected returns of asset classes stipulated in the investment policy underlying idle funds and recent return experience with cash flows that match the expected benefit payments to the City's current and future retirees. The valuation assumed annual healthcare cost trend rates of 8.0, 7.5, 7.0, 6.5, 6.0, 5.5, and 5.0 percent in the first seven years and an ultimate rate of 5.0 percent thereafter. The valuation assumed a 2.75 percent inflation rate. The UAAL is being amortized using the level dollar of projected payroll method over a period of 30 years with the remaining amortization period of 30 years. The amortization period used is open.

8 - Risk Management

The City is exposed to various risks of loss related to torts; damage to and destruction of assets; business interruptions; errors and omissions; employee injuries and illnesses; natural disasters; and employee health, dental and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters. Settled claims have not exceeded this commercial coverage in any of the three preceding years. There have not been significant reductions in coverage from prior years.

CITY OF ATCHISON, KANSAS  
NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

9 - Commitments and Contingencies

Capital Projects

The City has the following projects in progress at December 31, 2016:

	Costs to Date	Amount Authorized
General government:		
Airport master plan	\$ 55,700	\$ 55,700
Airport environmental assessment	90,429	99,400
Public Works office expansion	164,354	1,363,032
S Atchison trail project	346,269	175,000
US 73 underdrain improvements	2,350	2,350
2nd street sidewalk corridor	49,672	50,000
	<u>\$ 708,774</u>	<u>\$ 1,745,482</u>
Wastewater:		
Biotower media	\$ 14,000	\$ 14,000
CSO 11th & 14th	356,019	676,259
Dam 6 Separation	30,518	140,000
800 Commercial Streetscape	14,870	20,000
	<u>\$ 415,407</u>	<u>\$ 850,259</u>
Water:		
RWI Elevator	33,864	46,073
	<u>\$ 33,864</u>	<u>\$ 46,073</u>

Litigation

There are a number of claims and/or lawsuits to which the City is a party as a result of the ordinary course of City activities. The City management and legal counsel anticipate that the potential claims against the City not covered by insurance, if any, resulting from such matters would not materially affect the financial position of the City.



CITY OF ATCHISON, KANSAS  
NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

9 - Commitments and Contingencies (Continued)

Industrial Revenue Bonds

The City has issued industrial revenue bonds to finance the purchase of land and construction of facilities leased to local businesses. The lease agreements provide for rentals sufficient to service the related bonds. The debt service on these issues is paid solely from lease agreements; these issues do not constitute a debt of the City. The lessees have the option of purchasing the leased properties at any time during the lease periods for amounts sufficient to retire the related outstanding bonds. At the end of the lease periods, which conform to bond maturity schedules, the lessees may either purchase the property for a nominal amount or renew the leases annually at nominal amounts. As of December 31, 2016, industrial revenue bonds of \$ 41,195,000 are outstanding.

10 - Long-Term Debt

General Obligation Bonds

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both governmental and business-type activities.

CITY OF ATCHISON, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

10 - Long-Term Debt (Continued)

General Obligation Bonds (Continued)

General obligation bonds payable at December 31, 2016 are comprised of the following issues:

	Callable Date	Interest Rates	Original Issue	Final Maturity Date	Principal Payments During 2016	Outstanding December 31, 2016
General Obligation Bonds:						
Governmental activities:						
Series 2007-A	9/1/2015	3.50% to 4.00%	\$ 2,300,000	2017	\$ 265,000	\$ 280,000
Series 2010-A	N/A	2.00% to 2.50%	110,319	2018	19,277	-
Series 2011-A	9/1/2019	2.00% to 4.15%	1,830,000	2031	140,000	1,295,000
Series 2014-A	9/1/2021	2.00% to 3.625%	4,645,000	2034	240,000	4,195,000
					<u>664,277</u>	<u>5,770,000</u>
Business-type activities:						
Series 2010-A	N/A	2.00% to 2.50%	6,124,681	2018	930,723	1,835,000
					<u>\$ 1,595,000</u>	<u>\$ 7,605,000</u>

The installment ranges for the general obligation bonds are the following:

	Installment Range	
	Low	High
General Obligation Bonds:		
Governmental activities:		
Series 2007-A	\$ 280,000	\$ 280,000
Series 2011-A	25,000	165,000
Series 2014-A	175,000	285,000
Business-type activities:		
Series 2010-A	860,000	975,000

CITY OF ATCHISON, KANSAS  
NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

10 - Long-Term Debt (Continued)

General Obligation Bonds (Continued)

The future annual requirements for general obligation bonds outstanding as of December 31, 2016 are as follows:

	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2017	\$ 670,000	\$ 171,193	\$ 975,000	\$ 45,875
2018	395,000	152,738	860,000	21,500
2019	405,000	141,638	-	-
2020	415,000	130,163	-	-
2021	425,000	120,623	-	-
2022-2026	1,605,000	448,313	-	-
2027-2031	1,150,000	251,118	-	-
2032-2035	705,000	50,600	-	-
	<u>\$ 5,770,000</u>	<u>\$ 1,466,386</u>	<u>\$ 1,835,000</u>	<u>\$ 67,375</u>

Capital Leases

The City has entered into lease agreements as lessee for financing the acquisition of equipment. These lease agreements qualify as capital leases and therefore have been recorded at the present value of their future minimum lease payments as of the inception date.

CITY OF ATCHISON, KANSAS  
NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

10 - Long-Term Debt (Continued)

Capital Leases (Continued)

The assets acquired through capital leases are as follows:

Asset:

Fire truck	\$ 246,422
Less accumulated depreciation	<u>(246,422)</u>
Net book value	<u><u>\$ -</u></u>
Jet Vac truck	\$ 206,000
Less accumulated depreciation	<u>(206,000)</u>
Net book value	<u><u>\$ -</u></u>
Street sweeper	\$ 199,900
Less accumulated depreciation	<u>(41,646)</u>
Net book value	<u><u>\$ 158,254</u></u>
Hangar Building	\$ 179,712
Less accumulated depreciation	<u>-</u>
Net book value	<u><u>\$ 179,712</u></u>
Solid waste trucks	\$ 436,110
Less accumulated depreciation	<u>(174,444)</u>
Net book value	<u><u>\$ 261,666</u></u>

CITY OF ATCHISON, KANSAS  
NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

10 - Long-Term Debt (Continued)

Capital Leases (Continued)

The following is a schedule of future minimum lease payments for capital leases as of December 31, 2016:

	Governmental Activities	Business-type Activities
2017	\$ 21,016	\$ 134,495
2018	21,016	134,495
2019	21,016	134,495
2020	21,016	-
2021	21,016	-
2022-2025	105,083	-
	210,163	403,485
Amount representing interest	(30,451)	(20,264)
	<u>\$ 179,712</u>	<u>\$ 383,221</u>

Revolving Loans Payable

The City entered into a loan agreement with the Kansas Department of Health and Environment (KDHE) on August 21, 2009. According to the agreement, KDHE will loan an amount not to exceed \$ 3,834,075 to the City for the purpose of replacing over 24,000 feet of deteriorated water line and constructing a new pump station. The interest rate on the loan is 3.75%. The first payment of principal and interest on the loan is to be made the earlier of two years after receipt by the City of the first disbursement under the loan or one year after project completion. The City was informed by KDHE on February 26, 2010 that principal forgiveness equal to 32% of the total construction contract amount as of February 17, 2010 was granted using American Recovery and Reinvestment Act (ARRA) funds. The project was completed in 2012 and the loan amount was finalized, and the repayment schedule was revised to reflect the amount of principal forgiven. The principal forgiven totaled \$ 909,359. As of December 31, 2016, the entirety of the available loan balance has been drawn down. Project costs of \$ 3,702,333 and \$ 100,455 of capitalized interest and fees have been incurred for this project. Principal and interest payments of \$ 115,782 and \$ 88,243, respectively, were made during 2016. The outstanding balance of \$ 2,266,052 is shown as a liability in the water fund.

CITY OF ATCHISON, KANSAS  
NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

10 - Long-Term Debt (Continued)

Revolving Loans Payable (Continued)

During 2012, the City entered into a loan agreement with KDHE. According to the agreement, KDHE will loan an amount not to exceed \$ 4,448,093 to the City for the purpose of replacing a pump station and constructing a new elevated water tower. The interest rate on the loan is 2.42%. The first payment of principal and interest on the loan is to be made the earlier of two years after receipt by the City or the first disbursement under the loan or one year after project completion. The project is complete and the loan amount and repayment schedule have been finalized. As of December 31, 2016, \$ 3,224,692 of the available loan balance has been drawn down and project costs of \$ 3,224,692 have been incurred for this project. Principal and interest payments of \$ 125,750 and \$ 69,304, respectively, were made during 2016. The outstanding balance of \$ 2,769,315 is shown as a liability in the water fund.

The following is a schedule of future debt maturities for the two revolving loans with finalized repayment schedules:

	<u>Principal</u>	<u>Interest</u>
2017	\$ 248,962	\$ 132,690
2018	256,646	125,884
2019	264,579	118,856
2020	272,768	111,600
2021	281,223	104,107
2022 - 2026	1,542,884	399,276
2027 - 2031	1,697,627	171,483
2032 - 2035	470,678	14,722
	<u>\$ 5,035,367</u>	<u>\$ 1,178,618</u>

CITY OF ATCHISON, KANSAS  
NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

10 - Long-Term Debt (Continued)

Revolving Loans Payable (Continued)

The City entered into another loan agreement with the Kansas Department of Health and Environment (KDHE) during 2010. According to the agreement, KDHE will loan an amount not to exceed \$ 3,657,035 to the City for the purpose of wastewater force main upgrades. The interest rate on the loan is 2.84%. The first payment of principal and interest on the loan is to be made the earlier of two years after receipt by the City of the first disbursement under the loan or one year after project completion. Once the project is complete and the loan amount is finalized, the repayment schedule will be finalized. As of December 31, 2016, \$ 2,735,296 of the available loan balance has been drawn down and project costs of \$ 2,735,296 have been incurred for this project. Principal and interest payments of \$ 184,713 and \$ 56,220, respectively, were made during 2016. The outstanding balance of \$ 2,343,949 is shown as a liability in the wastewater fund.

During 2012, the City entered into a loan agreement with KDHE. According to the agreement, KDHE will loan an amount not to exceed \$ 9,594,373 to the City for the purpose of making improvements to the Atchison drinking water treatment plant. The interest rate on the loan is 2.23%. The first payment of principal and interest on the loan is to be made the earlier of two years after receipt by the City or the first disbursement under the loan or one year after project completion. Once the project is complete and the loan is finalized, the repayment schedule will be finalized. As of December 31, 2016, \$ 9,084,710 of the available loan balance has been drawn down and project costs of \$ 9,081,710 have been incurred. The outstanding balance of \$ 8,706,482 is shown as a liability in the water fund.

During 2015, the City entered into a loan agreement with KDHE. According to the agreement, KDHE will loan an amount not to exceed \$ 759,000 to the City for the purpose of water system repairs. The interest rate on the loan is 2.17%. The first payment of principal and interest on the loan is to be made the earlier of two years after receipt by the City or the first disbursement under the loan or one year after project completion. Once the project is complete and the loan is finalized, the repayment schedule will be finalized. As of December 31, 2016, \$ 1,018,957 of the available loan balance has been drawn down and project costs of \$ 1,018,957 have been incurred for this project. No principal or interest payments were made during 2016. The outstanding balance of \$ 1,018,957 is shown as a liability in the water fund.

CITY OF ATCHISON, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

10 - Long-Term Debt (Continued)

Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2016 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental activities:</b>					
Bonds payable:					
General obligation bonds	\$ 6,434,277	\$ -	\$ (664,277)	\$ 5,770,000	\$ 670,000
Plus issuance premiums	25,369	-	(1,359)	24,010	-
Capital leases:					
Fire truck	27,091	-	(27,091)	-	-
Hangar building	-	179,712	-	179,712	16,165
Compensated absences	607,371	424,846	(457,759)	574,458	236,460
Net pension liability	4,047,797	1,186,488	-	5,234,285	-
Net other postemployment benefit obligation	632,743	135,342	(4,611)	763,474	-
Governmental activities long-term liabilities	<u>\$ 11,774,648</u>	<u>\$ 1,926,388</u>	<u>\$ (1,155,097)</u>	<u>\$ 12,545,939</u>	<u>\$ 922,625</u>
<b>Business-type activities:</b>					
Bonds payable:					
General obligation bonds	\$ 2,765,723	\$ -	\$ (930,723)	\$ 1,835,000	\$ 975,000
Plus issuance premiums	47,208	-	(15,736)	31,472	-
Loans payable	16,154,620	1,605,473	(655,338)	17,104,755	248,962
Capital leases:					
Jet Vac truck	43,708	-	(43,708)	-	-
Street sweeper	159,821	-	(38,583)	121,238	39,487
Solid waste trucks	344,685	-	(82,702)	261,983	84,957
Net pension liability	880,492	-	(195,695)	684,797	-
Compensated absences	117,688	87,192	(121,315)	83,565	32,914
Business-type activities long-term liabilities	<u>\$ 20,513,945</u>	<u>\$ 1,692,665</u>	<u>\$ (2,083,800)</u>	<u>\$ 20,122,810</u>	<u>\$ 1,381,320</u>
<b>Component unit Library:</b>					
Compensated absences	\$ 10,978	\$ 3,276	\$ (4,959)	\$ 9,295	\$ 4,959
Net pension liability	193,346	31,948	-	225,294	-
Component unit Library long-term liabilities	<u>\$ 204,324</u>	<u>\$ 35,224</u>	<u>\$ (4,959)</u>	<u>\$ 234,589</u>	<u>\$ 4,959</u>

For the governmental activities, compensated absences, net pension liability, and the net OPEB obligation are generally liquidated by the general fund.



CITY OF ATCHISON, KANSAS  
NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

11 - Interfund Transactions

Interfund transfers for the year ended December 31, 2016 consisted of the following:

Transfers out	Transfers in			
	General fund	Capital projects fund	Wastewater fund	Refuse fund
General fund	\$ -	\$ 294,345	\$ 54,642	\$ 92,181
Nonmajor governmental funds	-	107,500	-	-
Water fund	347,856	1,486,849	-	-
Wastewater fund	402,857	9,275	-	-
Refuse fund	147,182	-	-	-
Total	<u>\$ 897,895</u>	<u>\$ 1,897,969</u>	<u>\$ 54,642</u>	<u>\$ 92,181</u>

Transfers are used to move revenues from the fund that statutes or the budget requires to collect them to the fund that statutes or the budget requires to expend them. Nonroutine transfers include transfers to the capital projects fund to fund capital projects and to the general fund to fund capital projects and from the water fund, wastewater fund, and nonmajor enterprise fund to the general fund for administrative services provided.

Capital asset transfers of \$ 1,265,368 occurred from the governmental activities to the business-type activities and are reported within transfers on the statement of activities.

CITY OF ATCHISON, KANSAS  
NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

12 - Required Improvements to Sanitary Sewer Collection System

Based upon an administrative order dated January 20, 2004 from the Kansas Department of Health and Environment (KDHE), the City is required to make improvements and replacements to the City's sanitary sewer collection system. Under the terms of the administrative order, a study was performed by an engineer to determine the extent and cost of the repairs. A second administrative order was issued on September 9, 2009 with updated mandates and new deadlines. The City appealed this administrative order and required a hearing which was postponed pending consent agreement negotiations. The negotiations were successful and the consent agreement was agreed upon in 2011. The consent agreement sets forth timelines for completion of certain updates and repairs to the City's sanitary sewer collection system. The City is also required to provide a plan to raise revenue via residential, industrial, and commercial sewer rate increases, sales tax, stormwater fees or other means over the next five years to the equivalent of \$ 3.1 million annually (after five years) to operate, upgrade and maintain the current wastewater utility treatment facilities and to complete the mandated projects. The City is required to spend \$ 12.4 million over a period of the first zero to five years of the consent agreement. In late 2016, KDHE agreed to amend the consent order and waive the requirement to raise revenues to \$ 3.1 million in 2017. They agreed to allow the City to maintain the current rates in return for a commitment from the City to complete certain CSO improvements such as the Dam 6 Separation Program, within specific dates, and update the City's long-term control plan.

13 - Commitments and Contingencies – Encumbrances

The City uses encumbrances to control expenditure commitments for the year and to enhance cash management. Encumbrances represent commitments related to executory contracts not yet performed and purchase orders not yet filled. Commitments for cash expenditure of monies are encumbered to reserve a portion of applicable appropriations. Encumbrances still open at year-end are not accounted for as expenditures and liabilities, but, rather, as restricted, committed, or assigned fund balance. At December 31, 2016, the City's recorded encumbrances in budgeted governmental funds were as follows:

General	\$ 16,538
Special parks and recreation fund	<u>4,312</u>
	<u><u>\$ 20,850</u></u>

CITY OF ATCHISON, KANSAS  
NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

14 - Tax Abatements

The City of Atchison enters tax abatement agreements with local businesses for the purpose of attracting or retaining businesses within its jurisdiction. For the fiscal year ended December 31, 2016, abated property taxes that impacted the City totaled \$ 113,816, which included the following tax abatement agreements that each exceeded 10 percent of the total amount abated:

- A property tax abatement for the expansion of a manufacturing facility. The City's portion of the abatement amounted to \$ 34,003. This agreement requires the business to employ an agreed upon number of permanent employees within eight years of completing the project. Failure to meet the employment target will result in a payment in lieu of taxes to the City, ranging from 25-100% of property taxes that would have been paid if not for the agreement.
- A property tax abatement for the construction and equipping of a manufacturer's corporate headquarters. The City's portion of the abatement amounted to \$ 70,517.

The City of Atchison participates in a county-wide property tax abatement program referred to as the Neighborhood Revitalization Plan (NRP). Property tax rebate incentives are based on the incremental increase of qualified improvements over a period ranging from 10 to 15 years, depending upon the level investment. To continue to receive the rebate of taxes, property owners must pay the property taxes in full and on time. The county treasurer is responsible for issuing the tax rebates to property owners. For the year ended December 31, 2016, a total of \$ 356,564 in City taxes were rebated to property owners. During the same period \$ 52,980 in Library taxes were rebated.

The City of Atchison enters annexation and incentive agreements with property owners that provide for property tax rebates in exchange for voluntarily allowing the property to be annexed into the City. The rebates begin the year following the receipt of the first tax statement that includes City taxes. Rebates are paid for three years: year one is a 75% rebate of City taxes, year two is 50%, and year three is 25%. Property owners must pay the property taxes in full and on time to remain eligible for the rebates. The City of Atchison is responsible for issuing the rebates in this program. During 2016, a total of \$ 6,624 in property tax rebates were paid.

# **Required Supplementary Information**

**2016**

## REQUIRED SUPPLEMENTARY INFORMATION

CITY OF ATCHISON, KANSAS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES - BUDGET AND ACTUAL

GENERAL FUND

Year Ended December 31, 2016

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
Revenues:			
Taxes:			
Ad valorem taxes	\$ 2,376,493	\$ 2,245,977	\$ (130,516)
Delinquent taxes	50,000	56,626	6,626
Motor vehicle taxes	268,575	263,628	(4,947)
Vehicle excise taxes	763	584	(179)
Payments in lieu of taxes	23,500	25,477	1,977
Guest taxes	125,000	127,418	2,418
City sales taxes	1,610,412	1,646,986	36,574
Franchise taxes	1,562,275	1,336,005	(226,270)
Commercial vehicle taxes	7,500	8,375	875
Recreational vehicle taxes	1,471	1,519	48
16-20 M truck vehicle taxes	2,197	2,281	84
	<u>6,028,186</u>	<u>5,714,876</u>	<u>(313,310)</u>
Intergovernmental revenues:			
Special highway	63,000	63,374	374
Special liquor	31,352	31,186	(166)
	<u>94,352</u>	<u>94,560</u>	<u>208</u>
Charges for services	<u>417,096</u>	<u>379,515</u>	<u>(37,581)</u>
Licenses and permits	<u>55,300</u>	<u>171,778</u>	<u>116,478</u>
Interest on investments	<u>100</u>	<u>10,443</u>	<u>10,343</u>
Fines and fees	<u>225,000</u>	<u>221,242</u>	<u>(3,758)</u>
Miscellaneous:			
Sales of cemetery lots	1,000	2,000	1,000
Other	25,000	9,755	(15,245)
Management fee - Watershed	45,902	45,902	-
	<u>71,902</u>	<u>57,657</u>	<u>(14,245)</u>
Total revenues	<u>\$ 6,891,936</u>	<u>\$ 6,650,071</u>	<u>\$ (241,865)</u>

(Continued)

CITY OF ATCHISON, KANSAS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES - BUDGET AND ACTUAL

GENERAL FUND

Year Ended December 31, 2016

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
Expenditures:			
General government:			
City Manager:			
Personnel services	\$ 186,033	\$ 200,309	\$ (14,276)
Contractual services	11,950	6,098	5,852
Materials and supplies	2,500	3,123	(623)
	<u>200,483</u>	<u>209,530</u>	<u>(9,047)</u>
Human resources:			
Personnel services	72,029	70,789	1,240
Contractual services	22,880	20,326	2,554
Materials and supplies	3,676	3,483	193
	<u>98,585</u>	<u>94,598</u>	<u>3,987</u>
Finance:			
Personnel services	344,691	335,181	9,510
Contractual services	98,510	87,574	10,936
Materials and supplies	6,318	4,460	1,858
	<u>449,519</u>	<u>427,215</u>	<u>22,304</u>
Municipal court:			
Personnel services	75,094	87,140	(12,046)
Contractual services	25,643	14,476	11,167
Materials and supplies	500	504	(4)
	<u>101,237</u>	<u>102,120</u>	<u>(883)</u>
Building official and buildings and grounds:			
Personnel services	285,480	207,508	77,972
Contractual services	163,400	131,866	31,534
Materials and supplies	3,400	2,828	572
	<u>\$ 452,280</u>	<u>\$ 342,202</u>	<u>\$ 110,078</u>

(Continued)

CITY OF ATCHISON, KANSAS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES - BUDGET AND ACTUAL

GENERAL FUND

Year Ended December 31, 2016

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
AHCC:			
Personnel services	\$ 127,495	\$ 150,108	\$ (22,613)
Contractual services	153,350	79,569	73,781
Materials and supplies	87,000	67,779	19,221
	<u>367,845</u>	<u>297,456</u>	<u>70,389</u>
Other general government:			
Contractual services	561,697	560,997	700
Materials and supplies	6,500	-	6,500
Contingency	200,000	2,000	198,000
	<u>768,197</u>	<u>562,997</u>	<u>205,200</u>
Total general government	<u>2,438,146</u>	<u>2,036,118</u>	<u>402,028</u>
Public safety:			
Fire department:			
Personnel services	1,356,625	1,336,939	19,686
Contractual services	60,310	48,841	11,469
Materials and supplies	28,200	23,022	5,178
	<u>1,445,135</u>	<u>1,408,802</u>	<u>36,333</u>
Police department:			
Personnel services	1,606,010	1,550,427	55,583
Contractual services	24,292	23,245	1,047
Materials and supplies	79,700	53,497	26,203
	<u>1,710,002</u>	<u>1,627,169</u>	<u>82,833</u>
Animal control:			
Personnel services	39,765	35,058	4,707
Contractual services	16,216	13,842	2,374
Materials and supplies	4,140	5,911	(1,771)
	<u>60,121</u>	<u>54,811</u>	<u>5,310</u>
Total public safety	<u>\$ 3,215,258</u>	<u>\$ 3,090,782</u>	<u>\$ 124,476</u>

(Continued)



CITY OF ATCHISON, KANSAS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES - BUDGET AND ACTUAL

GENERAL FUND

Year Ended December 31, 2016

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
Public works:			
Engineering:			
Personnel services	\$ 166,624	\$ 154,286	\$ 12,338
Contractual services	10,850	13,624	(2,774)
Materials and supplies	1,750	1,307	443
	<u>179,224</u>	<u>169,217</u>	<u>10,007</u>
Amelia Earhart Airport:			
Contractual services	45,717	28,538	17,179
Materials and supplies	60,000	42,604	17,396
	<u>105,717</u>	<u>71,142</u>	<u>34,575</u>
Fleet maintenance:			
Contractual services	2,500	1,927	573
Materials and supplies	102,800	118,667	(15,867)
	<u>105,300</u>	<u>120,594</u>	<u>(15,294)</u>
Santa Fe Depot:			
Contractual services	30,000	21,325	8,675
Public works administration:			
Personnel services	989,658	915,464	74,194
Contractual services	35,730	42,300	(6,570)
Materials and supplies	234,400	210,774	23,626
	<u>1,259,788</u>	<u>1,168,538</u>	<u>91,250</u>
Total public works	<u>\$ 1,680,029</u>	<u>\$ 1,550,816</u>	<u>\$ 129,213</u>

(Continued)

CITY OF ATCHISON, KANSAS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES - BUDGET AND ACTUAL

GENERAL FUND

Year Ended December 31, 2016

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
Parks and recreation:			
Parks:			
Contractual services	\$ 94,500	\$ 109,092	\$ (14,592)
Materials and supplies	77,800	56,000	21,800
	<u>172,300</u>	<u>165,092</u>	<u>7,208</u>
Municipal pool:			
Personnel services	61,200	65,089	(3,889)
Contractual services	8,650	11,013	(2,363)
Materials and supplies	28,000	36,390	(8,390)
	<u>97,850</u>	<u>112,492</u>	<u>(14,642)</u>
Oak Hill Cemetery:			
Contractual services	7,000	11,109	(4,109)
Materials and supplies	1,000	10	990
	<u>8,000</u>	<u>11,119</u>	<u>(3,119)</u>
Total parks and recreation	<u>278,150</u>	<u>288,703</u>	<u>(10,553)</u>
Non-departmental:			
Contingency	<u>417,399</u>	<u>-</u>	<u>417,399</u>
Total expenditures	<u>8,028,982</u>	<u>6,966,419</u>	<u>1,062,563</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (1,137,046)</u>	<u>\$ (316,348)</u>	<u>\$ 820,698</u>

(Continued)

CITY OF ATCHISON, KANSAS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES - BUDGET AND ACTUAL

GENERAL FUND

Year Ended December 31, 2016

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
Other financing sources (uses):			
Sale of capital assets	\$ 20,000	\$ 89,469	\$ 69,469
Transfers in	722,714	722,714	-
Transfers out	(275,000)	(221,250)	53,750
Total other financing sources (uses)	467,714	590,933	123,219
Net change in fund balances	(669,332)	274,585	943,917
Fund balances, beginning	1,155,828	1,686,141	530,313
Fund balances, ending	\$ 486,496	\$ 1,960,726	\$ 1,474,230

CITY OF ATCHISON, KANSAS

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

December 31, 2016

1 - General

All budgets are prepared utilizing the modified accrual basis further modified by the encumbrance method of accounting – that is, commitments such as purchase orders and contracts, in addition to disbursements and accounts payable, are recorded as expenditures.

2 - Reconciliation

Explanation of differences between budget and GAAP net change in fund balances:

Net change in fund balance - budget	\$ 274,585
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Net change in fund balance for non-budgeted funds included with the  
General Fund on GAAP basis financials:

Insurance reserve	(161,040)
Municipal equipment reserve	(112,593)
Law enforcement	(1,911)
Façade improvements	195

Encumbrances for equipment and supplies ordered but not yet received are reported in the year the orders are placed for budgetary purposes, but are reported in the year the equipment and supplies are received for GAAP purposes:

2016 encumbrances	16,538
2015 encumbrances	(5,691)

Net change in fund balance - GAAP	<u>\$ 10,083</u>
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CITY OF ATCHISON, KANSAS

Schedule of the City's Proportionate Share of the Collective Net Pension Liability  
 Kansas Public Employees Retirement System  
 Last Three Fiscal Years<sup>1</sup>

	2016	2015	2014
City's proportion of the collective net pension liability:			
KPERS	0.115515%	0.178344%	0.151326%
KP&F	0.444896%	0.356217%	0.394653%
City's proportionate share of the collective net pension liability	\$ 5,919,082	\$ 4,938,289	\$ 4,450,840
City's covered-employee payroll	\$ 4,344,866	\$ 4,329,067	\$ 4,299,827
City's proportionate share of the collective net pension liability as a percentage of its covered-employee payroll	136%	114%	104%
Plan fiduciary net position as a percentage of the total pension liability	65.10%	64.95%	66.60%

<sup>1</sup> GASB 68 requires presentation of 10 years. Data was not available prior to fiscal year 2014.

## CITY OF ATCHISON, KANSAS

## ATCHISON PUBLIC LIBRARY

Schedule of the Library's Proportionate Share of the Collective Net Pension Liability  
 Kansas Public Employees Retirement System  
 Last Three Fiscal Years<sup>1</sup>

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Library's proportion of the collective net pension liability:			
KPERS Atchison Public Library	0.014563%	0.014725%	0.017116%
Library's proportionate share of the collective net pension liability	\$ 225,294	\$ 193,346	\$ 210,666
Library's covered-employee payroll	\$ 249,780	\$ 246,283	\$ 282,085
Library's proportionate share of the collective net pension liability as a percentage of its covered-employee payroll	90%	79%	75%
Plan fiduciary net position as a percentage of the total pension liability	65.10%	64.95%	66.60%

<sup>1</sup> GASB 68 requires presentation of 10 years. Data was not available prior to fiscal year 2014.

# CITY OF ATCHISON, KANSAS

## Schedule of the City's Contributions Kansas Public Employees Retirement System Last Ten Fiscal Years

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Contractually required contribution	\$ 316,276	\$ 339,153	\$ 349,441	\$ 367,368	\$ 436,460	\$ 447,442	\$ 518,478	\$ 638,863	\$ 626,020	\$ 619,278
Contributions in relation to the contractually required contribution	316,276	339,189	349,441	367,368	436,460	447,442	518,478	638,863	625,413	619,278
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City's covered-employee payroll	\$ 3,469,030	\$ 3,769,158	\$ 3,832,648	\$ 3,940,759	\$ 4,110,988	\$ 4,083,213	\$ 4,219,545	\$ 4,327,392	\$ 4,291,557	\$ 4,410,377
Contributions as a percentage of covered-employee payroll	9.12%	9.00%	9.12%	9.32%	10.62%	11.69%	12.29%	14.76%	14.59%	14.04%

CITY OF ATCHISON, KANSAS

ATCHISON PUBLIC LIBRARY

Schedule of the Library's Contributions  
Kansas Public Employees Retirement System  
Last Ten Fiscal Years

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Contractually required contribution	\$ 7,326	\$ 10,366	\$ 13,451	\$ 15,709	\$ 15,598	\$ 20,579	\$ 23,615	\$ 22,953	\$ 22,594	\$ 23,076
Contributions in relation to the contractually required contribution	7,326	10,366	13,451	15,709	15,598	20,579	23,615	22,953	22,594	23,076
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Library's covered-employee payroll	\$ 169,977	\$ 210,269	\$ 242,794	\$ 255,030	\$ 231,428	\$ 280,365	\$ 297,421	\$ 259,654	\$ 238,337	\$ 251,371
Contributions as a percentage of covered-employee payroll	4.31%	4.93%	5.54%	6.16%	6.74%	7.34%	7.94%	8.84%	9.48%	9.18%



CITY OF ATCHISON, KANSAS

SCHEDULE OF FUNDING PROGRESS  
POSTEMPLOYMENT BENEFITS

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Projected Unit Credit Method (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/2008	\$ -	\$ 200,479	\$ 200,479	0.0%	\$ 4,177,973	4.8%
1/1/2012	\$ -	\$ 715,731	\$ 715,731	0.0%	\$ 4,301,658	16.6%
1/1/2015	\$ -	\$ 1,125,310	\$ 1,125,310	0.0%	\$ 4,294,868	26.2%

# **Other Supplementary Information**

**2016**

## OTHER SUPPLEMENTARY INFORMATION

## CITY OF ATCHISON, KANSAS

COMBINING BALANCE SHEET  
GENERAL FUND

December 31, 2016

	General	Insurance Reserve	Municipal Equipment Reserve	Law Enforcement	Façade Improvements	Total General Fund
Assets:						
Cash and cash equivalents	\$ 1,893,501	\$ 2,565	\$ 212,420	\$ 5,323	\$ 40,485	\$ 2,154,294
Receivables (net of allowance for uncollectibles):						
Taxes	2,719,783	-	-	-	-	2,719,783
Accounts	84,132	-	-	-	-	84,132
Loans	-	-	-	-	59,823	59,823
Total assets	<u>\$ 4,697,416</u>	<u>\$ 2,565</u>	<u>\$ 212,420</u>	<u>\$ 5,323</u>	<u>\$ 100,308</u>	<u>\$ 5,018,032</u>
Liabilities, deferred inflows of resources and fund balances:						
Liabilities:						
Accounts payable	\$ 315,822	\$ 125	\$ 11,837	\$ -	\$ -	\$ 327,784
Accrued payroll	92,236	-	-	-	-	92,236
Total liabilities	<u>408,058</u>	<u>125</u>	<u>11,837</u>	<u>-</u>	<u>-</u>	<u>420,020</u>
Deferred inflows of resources:						
Unavailable revenue - property taxes	<u>2,312,091</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,312,091</u>
Fund balances:						
Assigned	16,538	2,440	200,583	5,323	100,308	325,192
Unassigned	<u>1,960,729</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,960,729</u>
Total fund balances	<u>1,977,267</u>	<u>2,440</u>	<u>200,583</u>	<u>5,323</u>	<u>100,308</u>	<u>2,285,921</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 4,697,416</u>	<u>\$ 2,565</u>	<u>\$ 212,420</u>	<u>\$ 5,323</u>	<u>\$ 100,308</u>	<u>\$ 5,018,032</u>

CITY OF ATCHISON, KANSAS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - GENERAL FUND

Year Ended December 31, 2016

	General	Insurance Reserve	Municipal Equipment Reserve	Law Enforcement	Façade Improvements	Eliminations	Total General Fund
Revenues:							
Taxes:							
Property	\$ 2,578,990	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,578,990
Sales	1,646,986	-	-	-	-	-	1,646,986
Franchise	1,336,005	-	-	-	-	-	1,336,005
Transient guest	127,418	-	-	-	-	-	127,418
Payments in lieu of taxes	25,477	-	-	-	-	-	25,477
Intergovernmental	94,560	-	7,532	-	-	-	102,092
Licenses and permits	171,778	-	-	-	-	-	171,778
Charges for services	379,515	-	-	-	-	-	379,515
Fines and fees	221,242	-	-	-	-	-	221,242
Interest on investments	10,443	795	1,050	29	216	-	12,533
Other	57,657	-	-	-	185	-	57,842
Total revenues	<u>6,650,071</u>	<u>795</u>	<u>8,582</u>	<u>29</u>	<u>401</u>	<u>-</u>	<u>6,659,878</u>
Expenditures:							
Current:							
General government	2,025,628	78,608	-	-	206	-	2,104,442
Public works	1,550,457	-	-	-	-	-	1,550,457
Public safety	3,090,783	-	-	-	-	-	3,090,783
Parks and recreation	288,704	-	-	-	-	-	288,704
Debt service:							
Principal	-	-	27,091	-	-	-	27,091
Interest and fiscal charges	-	-	1,273	-	-	-	1,273
Capital outlay	-	15,278	171,169	1,940	-	-	188,387
Total expenditures	<u>6,955,572</u>	<u>93,886</u>	<u>199,533</u>	<u>1,940</u>	<u>206</u>	<u>-</u>	<u>7,251,137</u>
Excess/(deficiency) of revenues over (under) expenditures	<u>(305,501)</u>	<u>(93,091)</u>	<u>(190,951)</u>	<u>(1,911)</u>	<u>195</u>	<u>-</u>	<u>(591,259)</u>
Other financing sources (uses):							
Sale of capital assets	89,469	-	-	-	-	-	89,469
Insurance proceeds	-	55,146	-	-	-	-	55,146
Transfers in	722,714	10,000	225,181	-	-	(60,000)	897,895
Transfers out	(221,250)	(133,095)	(146,823)	-	-	60,000	(441,168)
Total other financing sources (uses)	<u>590,933</u>	<u>(67,949)</u>	<u>78,358</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>601,342</u>
Net change in fund balances	285,432	(161,040)	(112,593)	(1,911)	195	-	10,083
Fund balances, beginning of year	1,691,835	163,480	313,176	7,234	100,113	-	2,275,838
Fund balances, end of year	<u>\$ 1,977,267</u>	<u>\$ 2,440</u>	<u>\$ 200,583</u>	<u>\$ 5,323</u>	<u>\$ 100,308</u>	<u>\$ -</u>	<u>\$ 2,285,921</u>

CITY OF ATCHISON, KANSAS

NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

Special Alcohol - to account for revenues and expenditures for the prevention of drug and alcohol abuse.

Special Parks and Recreation - to account for revenues and expenditures for the upkeep and upgrade of existing parks and recreation facilities.

Motor Fuel - to account for the City's highway aid payments distributed from the State.

DARE - to account for funds donated that will be used specifically for DARE activities in the Police Department.

Grants - to account for grant proceeds received from various funding sources.

Debt Service Fund

Debt Service Fund - to account for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

CITY OF ATCHISON, KANSAS  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS

December 31, 2016

	Special Alcohol	Special Parks and Recreation
Assets:		
Cash and cash equivalents	\$ 7,010	\$ 15,622
Accounts receivable	-	-
Taxes receivable	-	-
Intergovernmental receivable	-	-
	<u>          </u>	<u>          </u>
Total assets	<u><u>\$ 7,010</u></u>	<u><u>\$ 15,622</u></u>
Liabilities:		
Accounts payable	<u>\$ 328</u>	<u>\$ 560</u>
Deferred inflows of resources:		
Unavailable revenue - property taxes	<u>-</u>	<u>-</u>
Fund balances:		
Restricted:		
Substance abuse prevention and emergency shelter	6,682	-
Capital projects and maintenance	-	-
Public safety	-	-
Parks and recreation facilities	-	15,062
Debt service	-	-
Assigned	<u>-</u>	<u>-</u>
	<u>          </u>	<u>          </u>
Total fund balances	<u><u>6,682</u></u>	<u><u>15,062</u></u>
Total liabilities, deferred inflows of resources, and fund balances	<u><u>\$ 7,010</u></u>	<u><u>\$ 15,622</u></u>

Special Revenue					
Motor Fuel	DARE	Grants	Total Special Revenue Funds	Debt Service	Total Nonmajor Governmental Funds
\$ 23,316	\$ 21,606	\$ 45,564	\$ 113,118	\$ 121,351	\$ 234,469
-	-	32,867	32,867	10,000	42,867
-	-	-	-	690,840	690,840
-	-	9,648	9,648	-	9,648
<u>\$ 23,316</u>	<u>\$ 21,606</u>	<u>\$ 88,079</u>	<u>\$ 155,633</u>	<u>\$ 822,191</u>	<u>\$ 977,824</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,023</u>	<u>\$ 11,911</u>	<u>\$ -</u>	<u>\$ 11,911</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>690,840</u>	<u>690,840</u>
-	-	3,320	10,002	-	10,002
23,316	-	25,938	49,254	-	49,254
-	-	2,870	2,870	-	2,870
-	-	44,928	59,990	-	59,990
-	-	-	-	17,725	17,725
-	21,606	-	21,606	113,626	135,232
<u>23,316</u>	<u>21,606</u>	<u>77,056</u>	<u>143,722</u>	<u>131,351</u>	<u>275,073</u>
<u>\$ 23,316</u>	<u>\$ 21,606</u>	<u>\$ 88,079</u>	<u>\$ 155,633</u>	<u>\$ 822,191</u>	<u>\$ 977,824</u>



CITY OF ATCHISON, KANSAS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES

NONMAJOR GOVERNMENTAL FUNDS

Year Ended December 31, 2016

	Special Alcohol	Special Parks and Recreation
Revenues:		
Property taxes	\$ -	\$ -
Intergovernmental	31,187	31,186
Interest on investments	-	64
Other	-	-
Total revenues	31,187	31,250
Expenditures:		
Current:		
General government	31,720	-
Public safety	-	-
Parks and recreation	-	7,249
Debt service:		
Principal	-	-
Interest and fiscal charges	-	-
Total expenditures	31,720	7,249
Excess of revenues over (under) expenditures	(533)	24,001
Other financing uses:		
Transfers out	-	(20,000)
Total other financing uses	-	(20,000)
Net change in fund balances	(533)	4,001
Fund balances, beginning of year	7,215	11,061
Fund balances, ending	\$ 6,682	\$ 15,062

Special Revenue					
Motor Fuel	DARE	Grants	Total Special Revenue Funds	Debt Service	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ 752,088	\$ 752,088
284,996	-	72,572	419,941	-	419,941
134	99	279	576	1,685	2,261
-	7,000	42,352	49,352	13,250	62,602
285,130	7,099	115,203	469,869	767,023	1,236,892
199,439	-	72,126	303,285	-	303,285
-	8,209	1,176	9,385	-	9,385
-	-	-	7,249	-	7,249
-	-	-	-	645,000	645,000
-	-	-	-	188,815	188,815
199,439	8,209	73,302	319,919	833,815	1,153,734
85,691	(1,110)	41,901	149,950	(66,792)	83,158
(87,500)	-	-	(107,500)	-	(107,500)
(87,500)	-	-	(107,500)	-	(107,500)
(1,809)	(1,110)	41,901	42,450	(66,792)	(24,342)
25,125	22,716	35,155	101,272	198,143	299,415
\$ 23,316	\$ 21,606	\$ 77,056	\$ 143,722	\$ 131,351	\$ 275,073

CITY OF ATCHISON, KANSAS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -  
BUDGET AND ACTUAL

SPECIAL ALCOHOL FUND

Year Ended December 31, 2016

	Original and Final Budgeted Amounts	Actual Amounts	Final Budget
Revenues:			
Intergovernmental	\$ 31,352	\$ 31,187	\$ (165)
Expenditures:			
Contractual services	33,200	31,720	1,480
Net change in fund balance	(1,848)	(533)	1,315
Fund balance, beginning	4,991	7,215	2,224
Fund balance, ending	<u>\$ 3,143</u>	<u>\$ 6,682</u>	<u>\$ 3,539</u>

CITY OF ATCHISON, KANSAS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -  
BUDGET AND ACTUAL

SPECIAL PARKS AND RECREATION FUND

Year Ended December 31, 2016

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
Revenues:			
Intergovernmental	\$ 31,352	\$ 31,186	\$ (166)
Interest on investments	-	64	64
Total revenues	31,352	31,250	(102)
Expenditures:			
Contractual services	12,500	11,561	939
Excess of revenues over expenditures	18,852	19,689	837
Other financing uses:			
Transfers out	(20,000)	(20,000)	-
Net change in fund balance	(1,148)	(311)	837
Fund balances, beginning	9,020	11,061	2,041
Fund balances, ending	<u>\$ 7,872</u>	<u>\$ 10,750</u>	<u>\$ 2,878</u>
Explanation of differences between budgetary and GAAP fund balances:			
Encumbrances for supplies ordered but not received are not recorded for GAAP purposes until received		<u>4,312</u>	
		<u>\$ 15,062</u>	

CITY OF ATCHISON, KANSAS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -  
BUDGET AND ACTUAL

MOTOR FUEL FUND

Year Ended December 31, 2016

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
Revenues:			
Intergovernmental	\$ 284,040	\$ 284,996	\$ 956
Interest on investments	7	134	127
Total revenues	284,047	285,130	1,083
Expenditures:			
Contractual services	192,600	199,439	(6,839)
Excess of revenues over expenditures	91,447	85,691	(5,756)
Other financing uses:			
Transfers out	(95,000)	(87,500)	7,500
Net change in fund balance	(3,553)	(1,809)	1,744
Fund balance, beginning	22,946	25,125	2,179
Fund balance, ending	<u>\$ 19,393</u>	<u>\$ 23,316</u>	<u>\$ 3,923</u>

CITY OF ATCHISON, KANSAS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -  
BUDGET AND ACTUAL

DEBT SERVICE FUND

Year Ended December 31, 2016

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
Revenues:			
Taxes:			
Ad valorem tax	\$ 693,214	\$ 688,040	\$ (5,174)
Recreational vehicle tax	393	355	(38)
16-20M vehicle tax	549	501	(48)
Motor vehicle tax	53,780	61,096	7,316
Commercial vehicle tax	-	1,968	1,968
Vehicle excise tax	71	128	57
	748,007	752,088	4,081
Interest on investments	450	1,685	1,235
Miscellaneous	13,250	13,250	-
Total revenues	761,707	767,023	5,316
Expenditures:			
Principal	645,000	645,000	-
Interest	188,764	188,815	(51)
Operating reserve	48,000	-	48,000
Total expenditures	881,764	833,815	47,949
Net change in fund balance	(120,057)	(66,792)	53,265
Fund balance, beginning	161,692	198,143	36,451
Fund balance, ending	\$ 41,635	\$ 131,351	\$ 89,716

## CITY OF ATCHISON, KANSAS

### AGENCY FUNDS

Amelia Earhart Festival – accounts for activities for the weeklong celebration of the life of Amelia Earhart. Events include live entertainment, food, arts & crafts, fireworks and award celebration.

Santa Fe Depot Enhancement – accounts for capital improvements to the historic Santa Fe depot building.

Veteran's Memorial Park – accounts for funds contributed to maintain the veterans pavilion within the riverfront park.

Jackson Park Revitalization – accounts for funds contributed to make improvements to Jackson Park.

The White Clay Watershed District - accounts for the ad valorem taxes levied by the White Clay Watershed District for maintenance and upkeep of the District.

CITY OF ATCHISON, KANSAS

COMBINING STATEMENT OF NET POSITION

FIDUCIARY FUNDS

December 31, 2016

	Amelia Earhart Festival	Santa Fe Depot Enhancement	Veteran's Memorial Park	Jackson Park Revitalization	White Clay Watershed District	Totals
Assets:						
Cash and cash equivalents	\$ 58,568	\$ 55,000	\$ 1,307	\$ 10,047	\$ 202,190	\$ 327,112
Liabilities:						
Due to others	\$ 58,568	\$ 55,000	\$ 1,307	\$ 10,047	\$ 202,190	\$ 327,112



CITY OF ATCHISON, KANSAS

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

ALL AGENCY FUNDS

Year Ended December 31, 2016

	Balance January 1, 2016	Additions	Deductions	Balance December 31, 2016
<u>Amelia Earhart Festival</u>				
Assets:				
Cash and cash equivalents	\$ 74,993	\$ 383,359	\$ 399,784	\$ 58,568
Liabilities:				
Due to others	\$ 74,993	\$ 383,359	\$ 399,784	\$ 58,568
<u>Santa Fe Depot Enhancement</u>				
Assets:				
Cash and cash equivalents	\$ 54,725	\$ 275	\$ -	\$ 55,000
Liabilities:				
Due to others	\$ 54,725	\$ 275	\$ -	\$ 55,000
<u>Veteran's Memorial Park</u>				
Assets:				
Cash and cash equivalents	\$ 1,300	\$ 7	\$ -	\$ 1,307
Liabilities:				
Due to others	\$ 1,300	\$ 7	\$ -	\$ 1,307
<u>Jackson Park Revitalization</u>				
Assets:				
Cash and cash equivalents	\$ 9,977	\$ 70	\$ -	\$ 10,047
Liabilities:				
Due to others	\$ 9,977	\$ 70	\$ -	\$ 10,047

(Continued)

CITY OF ATCHISON, KANSAS

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

ALL AGENCY FUNDS  
(Continued)

Year Ended December 31, 2016

	Balance January 1, 2016	Additions	Deductions	Balance December 31, 2016
<u>White Clay Watershed District</u>				
Assets:				
Cash and cash equivalents	\$ 204,432	\$ 232,340	\$ 234,582	\$ 202,190
Liabilities:				
Due to others	\$ 204,432	\$ 232,340	\$ 234,582	\$ 202,190
<u>Total</u>				
Assets:				
Cash and cash equivalents	\$ 345,427	\$ 616,051	\$ 634,366	\$ 327,112
Liabilities:				
Due to others	\$ 345,427	\$ 616,051	\$ 634,366	\$ 327,112

CITY OF ATCHISON, KANSAS  
BALANCE SHEET  
DISCRETELY PRESENTED COMPONENT UNIT  
PUBLIC LIBRARY  
December 31, 2016

Assets:	
Cash	\$ 209,963
Taxes receivable	<u>490,589</u>
Total assets	<u><u>\$ 700,552</u></u>
Liabilities, deferred inflows of resources, and fund balances:	
Liabilities:	
Accounts payable	\$ 5,804
Accrued payroll	<u>3,534</u>
Total liabilities	<u>9,338</u>
Deferred inflows of resources:	
Unavailable revenue - property taxes	<u>490,589</u>
Fund balances:	
Restricted:	
Building improvements	24,338
Reading programs	16,234
Books	6,100
Assigned	<u>153,953</u>
Total fund balances	<u>200,625</u>
Total liabilities, deferred inflows of resources, and fund balances	<u><u>\$ 700,552</u></u>

CITY OF ATCHISON, KANSAS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
DISCRETELY PRESENTED COMPONENT UNIT

PUBLIC LIBRARY

Year Ended December 31, 2016

Revenues:	
Taxes	\$ 494,707
Charges for services	18,097
Grants and contributions	44,394
Investment earnings	<u>992</u>
Total revenues	558,190
Expenditures:	
Current:	
Education	<u>904,822</u>
Deficit of revenues under expenditures	(346,632)
Fund balances, beginning	<u>547,257</u>
Fund balances, ending	<u><u>\$ 200,625</u></u>

# **Statistical Section**

**2016**

## STATISTICAL SECTION

This part of the City's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

<b>Contents</b>	<b>Page</b>
Financial Trends	
These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	107
Revenue Capacity	
These schedules contain information to help the reader assess the City's most significant local revenue source, water/wastewater charges for services, as well as its property tax.	111
Debt Capacity	
These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	120
Demographic and Economic Information	
These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	123
Operating Information	
These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.	124

## CITY OF ATCHISON, KANSAS

## NET POSITION BY COMPONENT

LAST TEN FISCAL YEARS  
(accrual basis of accounting)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Governmental activities										
Net investment in capital assets	\$10,131,595	\$11,639,769	\$12,292,827	\$12,347,223	\$12,272,996	\$13,313,242	\$14,739,011	\$14,706,052	\$16,480,463	\$16,836,454
Restricted	1,040,333	788,231	729,855	1,330,900	1,161,035	555,711	318,284	283,119	114,925	122,116
Unrestricted	(88,487)	247,430	422,843	327,526	1,585,199	2,161,847	3,038,112	4,016,612	(347,178)	(416,223)
Total Governmental activities net position	<u>\$11,083,441</u>	<u>\$12,675,430</u>	<u>\$13,445,525</u>	<u>\$14,005,649</u>	<u>\$15,019,230</u>	<u>\$16,030,800</u>	<u>\$18,095,407</u>	<u>\$19,005,783</u>	<u>\$16,248,210</u>	<u>\$16,542,347</u>
Business-type activities										
Net investment in capital assets	\$6,438,835	\$7,722,440	\$9,115,253	\$8,908,653	\$10,017,324	\$11,908,638	\$12,346,736	\$13,111,660	\$14,497,188	\$15,200,765
Unrestricted	2,844,053	1,892,254	2,264,559	4,262,522	5,044,982	5,991,187	6,209,967	6,619,694	5,012,895	5,701,739
Total business-type activities net position	<u>\$9,282,888</u>	<u>\$9,614,694</u>	<u>\$11,379,812</u>	<u>\$13,171,175</u>	<u>\$15,062,306</u>	<u>\$17,899,825</u>	<u>\$18,556,703</u>	<u>\$19,731,354</u>	<u>\$19,510,083</u>	<u>\$20,902,504</u>
Primary Government										
Net investment in capital assets	\$16,570,430	\$19,362,209	\$21,408,080	\$21,255,876	\$22,290,320	\$25,221,880	\$27,085,747	\$27,817,712	\$30,977,651	\$32,037,219
Restricted	1,040,333	788,231	729,855	1,330,900	1,161,035	555,711	318,284	283,119	114,925	122,116
Unrestricted	2,755,566	2,139,684	2,687,402	4,590,048	6,630,181	8,153,034	9,248,079	10,636,306	4,665,717	5,285,516
Total primary government net position	<u>\$20,366,329</u>	<u>\$22,290,124</u>	<u>\$24,825,337</u>	<u>\$27,176,824</u>	<u>\$30,081,536</u>	<u>\$33,930,625</u>	<u>\$36,652,110</u>	<u>\$38,737,137</u>	<u>\$35,758,293</u>	<u>\$37,444,851</u>

Watershed District #26 is presented as a component unit beginning in the years 2006-2010. Beginning in 2011 the Watershed is treated as a fiduciary fund.

## CITY OF ATCHISON, KANSAS

## CHANGES IN NET POSITION

LAST TEN FISCAL YEARS  
(accrual basis of accounting)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>Expenses</b>										
Governmental Activities:										
General Government	\$1,940,473	\$2,339,490	\$2,477,457	\$2,357,540	\$2,478,684	\$2,288,605	\$2,893,738	\$3,180,703	\$2,839,712	\$2,960,219
Public Safety	2,901,310	2,909,320	2,841,896	2,880,226	2,923,106	3,080,529	3,168,196	3,321,191	3,059,215	3,466,334
Public Works	1,250,995	1,335,063	1,388,693	1,469,786	1,718,105	1,815,676	2,110,116	2,100,754	2,109,452	1,931,845
Parks and Recreation	450,200	489,521	426,369	492,756	297,417	306,470	315,903	316,136	339,831	352,838
Economic Development	75,000	21,637	75,000	75,000	-	-	-	-	-	-
Interest on long-term debt	174,988	187,803	137,338	111,877	124,977	119,877	168,682	215,786	200,127	182,710
Total governmental activities expenses	6,792,966	7,282,834	7,346,753	7,387,185	7,542,289	7,611,157	8,656,635	9,134,570	8,548,337	8,893,946
Business-type activities:										
Water/Wastewater**	3,879,281	4,318,423	2,225,755	2,407,449	2,294,146	2,521,121	2,407,873	2,349,173	2,545,497	2,832,061
Wastewater	-	-	1,466,583	1,490,589	1,541,013	1,905,811	1,397,305	1,617,152	1,845,541	1,808,674
Refuse	355,787	388,867	363,721	372,578	360,427	384,657	390,426	406,798	891,962	927,392
Total business-type activities	4,235,068	4,707,290	4,056,059	4,270,616	4,195,586	4,811,589	4,195,604	4,373,123	5,283,000	5,568,127
Total primary government expenses	\$11,028,034	\$11,990,124	\$11,402,812	\$11,657,801	\$11,737,875	\$12,422,746	\$12,852,239	\$13,507,693	\$13,831,337	\$14,462,073
<b>Program Revenues</b>										
Governmental Activities:										
Charges for services:										
General Government	\$331,688	\$580,596	\$344,165	\$502,699	\$499,457	\$332,317	\$407,253	\$367,997	\$371,388	\$477,994
Public Safety	45,335	39,316	38,030	83,335	79,955	113,084	93,907	78,169	69,626	70,453
Public Works	32,000	33,040	81,015	142,574	296,747	141,045	123,093	128,992	332,939	349,890
Parks and Recreation	-	-	19,090	-	-	-	-	-	-	-
Economic Development	49	21	22	-	-	-	-	-	-	-
Operating grants and contributions	457,008	939,358	476,438	406,070	407,400	447,042	425,455	587,508	421,178	492,067
Capital grants and contributions	2,742,733	1,289,186	753,526	268,115	515,552	545,799	955,506	456,776	400,617	223,423
Total governmental activities program revenues	3,608,813	2,881,517	1,712,286	1,402,793	1,799,111	1,579,287	2,005,214	1,619,442	1,595,748	1,613,827
Business-type activities:										
Charges for services:										
Water/Wastewater**	4,022,503	4,043,258	2,733,628	3,621,075	3,703,515	3,888,189	4,089,692	3,979,202	4,069,473	4,244,775
Wastewater	-	-	1,302,014	1,576,158	1,472,145	1,808,743	1,801,135	1,924,969	2,433,689	2,694,359
Refuse	382,758	393,240	433,934	461,034	483,976	504,428	525,292	551,126	147,808	3,897
Operating grants and contributions	-	17,017	-	-	-	-	-	-	-	-
Capital grants and contributions	-	273,054	688,610	39,071	22,788	1,219,916	4,065	-	-	8,360
Total business-type activities program revenues	4,405,261	4,726,569	5,158,186	5,697,338	5,682,424	7,421,276	6,420,184	6,455,297	6,650,970	6,951,391
Total primary government program revenues	\$8,014,074	\$7,608,086	\$6,870,472	\$7,100,131	\$7,481,535	\$9,000,563	\$8,425,398	\$8,074,739	\$8,246,718	\$8,565,218
<b>Net (Expense)/Revenue</b>										
Governmental activities	(\$3,184,153)	(\$4,401,317)	(\$5,634,467)	(\$5,984,392)	(\$5,743,178)	(\$6,031,870)	(\$6,651,421)	(\$7,515,128)	(\$6,952,589)	(\$7,280,119)
Business-type activities	170,193	19,279	1,102,127	1,426,722	1,486,838	2,609,687	2,224,580	2,082,174	1,367,970	1,383,264
Total primary government net expense	(\$3,013,960)	(\$4,382,038)	(\$4,532,340)	(\$4,557,670)	(\$4,256,340)	(\$3,422,183)	(\$4,426,841)	(\$5,432,954)	(\$5,584,619)	(\$5,896,855)
<b>General Revenues and Other Changes in Net Position</b>										
Governmental activities:										
Taxes										
Property taxes	\$2,724,260	\$2,730,417	\$3,423,769	\$3,406,690	\$3,231,311	\$3,211,414	\$3,244,470	\$3,226,669	\$3,330,996	\$3,331,078
Sales taxes	1,583,031	1,589,234	1,524,783	1,520,429	1,587,341	1,651,096	2,532,109	2,420,909	1,629,061	1,646,986
Franchise Taxes	794,595	850,200	787,184	842,672	1,304,264	1,323,711	1,324,543	1,509,455	1,420,580	1,336,005
Guest taxes	85,169	92,350	91,803	115,218	-	-	-	136,092	133,868	127,418
Payments in lieu of taxes	26,641	27,842	-	51,172	23,639	24,033	23,594	23,307	21,501	25,477
Unrestricted investment earnings	151,462	39,002	11,948	16,246	24,660	27,157	1,272	443	1,242	28,323
Gain on disposal of asset	14,620	-	-	3,169	-	13,522	18,292	32,291	40,664	97,142
Transfers	444,057	664,261	565,075	588,920	585,544	792,507	1,571,748	1,076,338	1,827,209	981,827
Total governmental activities	5,823,835	5,993,306	6,404,562	6,544,516	6,756,759	7,043,440	8,716,028	8,425,504	8,405,121	7,574,256
Business-type activities:										
Sales Taxes	920,121	927,154	945,042	937,296	974,892	996,021	-	165,123	980,458	964,161
Unrestricted investment earnings	118,191	44,339	10,159	16,265	14,945	24,318	2,076	592	1,276	26,823
Gain on disposal of asset	-	5,295	-	-	-	-	1,970	3,100	43,789	-
Transfers	(444,057)	(664,261)	(565,075)	(588,920)	(585,544)	(792,507)	(1,571,748)	(1,076,338)	(1,827,209)	(981,827)
Total business-type activities	594,255	312,527	390,126	364,641	404,293	227,832	(1,567,702)	(907,523)	(801,686)	9,157
Total primary government	\$6,418,090	\$6,305,833	\$6,794,688	\$6,909,157	\$7,161,052	\$7,271,272	\$7,148,326	\$7,517,981	\$7,603,435	\$7,583,413
<b>Change in Net Position</b>										
Governmental activities	\$2,639,682	\$1,591,989	\$770,095	\$560,124	\$1,013,581	\$1,011,570	\$2,064,607	\$910,376	\$1,452,532	\$294,137
Business-type activities	764,448	331,806	1,492,253	1,791,363	1,891,131	2,837,519	656,878	1,174,651	566,284	1,392,421
Total primary government	\$3,404,130	\$1,923,795	\$2,262,348	\$2,351,487	\$2,904,712	\$3,849,089	\$2,721,485	\$2,085,027	\$2,018,816	\$1,686,558

Watershed District #26 is presented as a component unit beginning in 2006. The Watershed is included in governmental activities in the prior years.

\*\*Water and Wastewater funds combined thru 2008, shown separately in 2009



CITY OF ATCHISON, KANSAS  
FUND BALANCES, GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS  
(modified accrual basis of accounting)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General Fund										
Assigned										
Purchases on order	\$ -	\$ -	\$ -	\$ -	\$ 29,177	\$ 68,821	\$ 48,372	\$ 31,643	\$ 5,691	\$ 16,538
Subsequent year's budget appropriation of fund balances	-	-	-	-	519,076	681,667	708,475	422,127	584,003	308,654
Unassigned	-	-	-	-	1,571,238	2,073,289	2,042,639	1,669,626	1,686,144	1,960,729
Reserved	68,008	16,859	54,484	40,896	-	-	-	-	-	-
Unreserved	245,602	403,852	525,684	1,016,875	-	-	-	-	-	-
Total general fund	<u>\$313,610</u>	<u>\$420,711</u>	<u>\$580,168</u>	<u>\$1,057,771</u>	<u>\$2,119,491</u>	<u>\$2,823,777</u>	<u>\$2,799,486</u>	<u>\$2,123,396</u>	<u>\$2,275,838</u>	<u>\$2,285,921</u>
All Other Governmental Funds										
Restricted for:										
General Government	\$ -	\$ -	\$ -	\$ -	\$ 309,629	\$ -	\$ -	\$ -	\$ -	\$ -
Substance abuse prevention and emergency shelter	-	-	-	-	-	16,592	23,424	27,197	9,718	10,002
Debt service fund	-	-	-	-	-	216,280	244,296	294,062	99,452	17,725
Capital projects and maintenance	-	-	-	-	863,132	335,267	1,731,467	35,585	50,605	49,254
Public Safety	-	-	-	-	1,967	1,920	1,773	1,548	2,870	2,870
Parks and Recreation facilities	-	-	-	-	12,553	19,860	19,093	13,348	15,363	59,990
Assigned	-	-	-	-	239,267	217,040	1,300,490	3,095,772	2,659,685	2,761,296
Reserved for:										
Encumbrances	1,687,814	3,454	5,214	434,133	-	-	-	-	-	-
Revolving loan program	372,831	374,519	374,908	-	-	-	-	-	-	-
Unreserved reported in:										
Debt service fund	404,553	244,629	159,454	229,922	-	-	-	-	-	-
Special revenue funds	200,170	423,376	232,822	226,510	-	-	-	-	-	-
Capital project funds	(1,238,190)	208,048	415,120	451,280	-	-	-	-	-	-
Total all other governmental funds	<u>\$1,427,178</u>	<u>\$1,254,026</u>	<u>\$1,187,518</u>	<u>\$1,341,845</u>	<u>\$ 1,426,548</u>	<u>\$ 806,959</u>	<u>\$3,320,543</u>	<u>\$3,467,512</u>	<u>\$2,837,693</u>	<u>\$2,901,137</u>

Information presented for 2011 uses the new fund balance reporting required by GASB 54. Prior years are not restated.

Watershed District #26 is presented as a component unit beginning in 2006.

Beginning in 2011 the Watershed is reported as an agency fund.

## CITY OF ATCHISON, KANSAS

## CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS  
(modified accrual basis of accounting)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>Revenues</b>										
Taxes:										
Property	\$2,724,260	\$2,730,417	\$3,423,769	\$3,406,690	\$3,231,311	\$3,211,414	\$3,244,470	\$3,226,669	\$3,330,996	\$3,331,078
Sales	1,583,031	1,589,234	1,524,783	1,520,429	1,587,341	1,651,096	2,532,109	2,420,909	1,629,061	1,646,986
Franchise	794,595	850,200	787,184	842,672	1,304,264	1,323,711	1,324,543	1,509,455	1,420,580	1,336,005
Guest	85,169	92,350	91,803	115,218	-	-	-	136,092	133,868	127,418
Payments in lieu of taxes	26,641	27,842	-	51,172	23,639	24,033	23,594	23,307	21,501	25,477
Intergovernmental	1,856,197	1,919,213	1,078,482	661,180	884,926	911,355	1,342,114	835,691	720,474	629,495
Licenses and permits	44,798	204,802	84,724	89,050	103,960	104,016	92,406	45,131	72,891	171,778
Charges for services	56,326	54,704	104,847	151,480	191,121	167,535	158,084	176,879	388,453	379,515
Fines and fees	114,738	157,196	164,096	243,079	329,666	148,168	244,265	225,256	188,751	221,242
Special Assessments	31,155	30,343	29,410	32,707	30,296	29,162	-	-	-	-
Interest on investments	151,462	39,002	11,948	16,246	24,660	27,156	1,272	443	1,242	28,323
Other	293,856	368,143	140,914	163,505	121,572	215,551	158,267	157,654	209,839	164,322
<b>Total Revenues</b>	<b>7,762,228</b>	<b>8,063,446</b>	<b>7,441,960</b>	<b>7,293,428</b>	<b>7,832,756</b>	<b>7,813,197</b>	<b>9,121,124</b>	<b>8,757,486</b>	<b>8,117,656</b>	<b>8,061,639</b>
<b>Expenditures</b>										
General government	1,599,794	1,830,484	1,905,569	1,855,886	1,923,128	1,735,879	2,335,663	2,544,990	2,318,616	2,407,727
Public works	1,003,387	1,101,121	1,090,137	1,191,008	1,450,485	1,556,253	1,630,158	1,824,005	1,750,137	1,594,803
Public safety	2,706,958	2,742,071	2,707,129	2,736,583	2,901,700	2,867,512	2,996,695	3,085,288	3,065,996	3,100,168
Parks and recreation	394,867	464,833	399,842	465,038	256,922	258,620	267,308	270,144	293,954	295,953
Economic development	75,000	21,637	75,000	75,000	-	-	-	-	-	-
Debt Service										
Principal	580,112	625,260	679,987	508,623	544,175	565,352	466,769	483,241	644,773	691,367
Interest	149,631	207,381	146,095	117,500	97,380	141,592	105,838	100,743	227,024	190,088
Debt Issuance Costs	-	-	-	-	31,756	-	34,236	60,646	-	-
Capital outlay	3,436,283	2,725,395	937,966	480,777	2,121,270	1,458,341	5,171,046	10,363,991	6,406,395	2,279,529
<b>Total Expenditures</b>	<b>9,946,032</b>	<b>9,718,182</b>	<b>7,941,725</b>	<b>7,430,415</b>	<b>9,326,816</b>	<b>8,583,549</b>	<b>13,007,713</b>	<b>18,733,048</b>	<b>14,706,895</b>	<b>10,559,635</b>
Excess of revenues over/(under) expenditures	(2,183,804)	(1,654,736)	(499,765)	(136,987)	(1,494,060)	(770,352)	(3,886,589)	(9,975,562)	(6,589,239)	(2,497,996)
<b>Other Financing Sources (Uses)</b>										
Payment to refund temporary notes	(536,000)	-	-	-	-	-	-	(2,550,000)	-	-
Proceeds of general obligation bonds	2,300,000	-	-	110,319	1,830,000	-	-	4,645,000	-	-
Sale of capital assets	31,202	44,961	27,639	50,753	177,015	58,502	37,728	46,210	50,752	89,469
Insurance Proceeds	-	218,574	-	-	-	-	-	164,912	10,105	55,146
Proceeds from capital leases	-	-	-	-	-	-	-	-	-	179,712
Proceeds from temporary notes	-	-	-	-	-	-	2,550,000	-	-	-
Bond premium	-	-	-	-	-	-	-	27,408	-	-
Transfers in	1,361,416	2,030,108	1,121,567	1,112,651	997,418	1,103,919	4,825,154	8,047,911	7,430,291	2,795,864
Transfers out	(760,014)	(704,958)	(556,492)	(504,806)	(363,950)	(307,372)	(1,037,000)	(935,000)	(1,379,286)	(548,668)
<b>Total other financing sources (uses)</b>	<b>2,396,604</b>	<b>1,588,685</b>	<b>592,714</b>	<b>768,917</b>	<b>2,640,483</b>	<b>855,049</b>	<b>6,375,882</b>	<b>9,446,441</b>	<b>6,111,862</b>	<b>2,571,523</b>
<b>Net change in fund balances</b>	<b>\$212,800</b>	<b>(\$66,051)</b>	<b>\$92,949</b>	<b>\$631,930</b>	<b>\$1,146,423</b>	<b>\$84,697</b>	<b>\$2,489,293</b>	<b>(\$529,121)</b>	<b>(\$477,377)</b>	<b>\$73,527</b>
Debt service as a percentage of noncapital expenditures	11.2%	11.9%	11.8%	9.0%	8.9%	9.8%	5.6%	6.9%	10.5%	9.2%

Information presented for all years since the city implemented GASB 34

Watershed District #26 is presented as a component unit beginning in 2006. The Watershed is included in governmental funds in the prior years.

CITY OF ATCHISON, KANSAS

WATER PRODUCED AND CONSUMED

LAST TEN FISCAL YEARS  
(thousands of gallons)

Fiscal Year	Gallons of Water Produced	Gallons of Water Consumed	Gallons of Water Unbilled		Average Percent Unbilled	Base Rate
			Metered Provided For Free	Unaccounted For Water		
2007	1,571,009	988,500	124,713	457,796	37.08%	17.00
2008	1,545,869	1,163,432	118,769	263,667	24.74%	17.00
2009	1,491,859	959,947	69,043	462,869	35.65%	18.70
2010	1,599,504	1,094,121	69,043	445,141	32.15%	23.38
2011	1,525,572	1,149,030	90,295	286,246	24.68%	24.08
2012	1,560,120	1,178,786	75,151	306,184	24.44%	24.80
2013	1,494,244	1,095,987	89,359	308,898	26.65%	26.29
2014	1,392,016	1,069,542	78,489	248,952	23.52%	27.34
2015	1,421,828	1,103,430	104,661	213,737	22.39%	29.34
2016	1,264,147	1,064,994	59,463	139,690	15.75%	30.81

Source: City of Atchison Water Use reports

Base rate shown is for a 5/8" meter. See the Water Rate Schedule for other meter sizes and usage charges.

CITY OF ATCHISON, KANSAS

ANNUAL TAP SALES

LAST TEN FISCAL YEARS

<b>Fiscal Year</b>	<b>Water Meter Taps Sold</b>
2007	18
2008	12
2009	16
2010	18
2011	8
2012	5
2013	8
2014	8
2015	1
2016	6

Source: City of Atchison Water Utility

CITY OF ATCHISON, KANSAS

NUMBER OF WATER CUSTOMERS BY TYPE

LAST TEN FISCAL YEARS

Fiscal Year	Water Customers				Total
	Residential	Commercial	Industrial	Rural Water Districts	
2007	3,750	401	41	7	4,199
2008	3,776	401	41	7	4,225
2009	3,716	439	37	7	4,199
2010	3,716	470	4	7	4,197
2011	3,700	433	42	6	4,181
2012	3,672	433	42	6	4,153
2013	3,648	433	42	6	4,129
2014	3,624	431	42	6	4,103
2015	3,639	426	41	6	4,112
2016	3,647	440	31	7	4,125

Source: City of Atchison Water Use reports

## CITY OF ATCHISON, KANSAS

## WATER RATES

## LAST TEN FISCAL YEARS

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>Minimum Monthly Rates- All account types</b>										
5/8 inch meter	\$ 17.00	\$ 17.00	\$ 18.70	\$ 23.38	\$ 24.08	\$ 24.80	\$ 26.29	\$ 27.34	\$ 29.34	\$ 30.81
3/4 inch meter	27.50	27.50	30.25	37.81	38.94	40.11	42.15	43.84	45.84	48.13
1 inch meter	45.50	45.50	50.05	62.56	64.43	66.36	70.34	73.15	75.15	78.91
1.5 inch meter	85.00	85.00	93.50	116.88	120.39	124.00	131.44	136.70	143.53	150.71
2 inch meter	115.00	115.00	126.50	158.13	162.87	167.76	177.82	184.93	194.18	203.89
3 inch meter	225.00	225.00	247.50	309.38	318.66	328.22	347.91	361.82	379.91	398.91
4 inch meter	375.00	375.00	412.50	515.63	531.10	547.03	579.85	603.05	633.19	664.85
6 inch meter	495.00	495.00	544.50	680.63	701.05	722.08	765.41	796.02	835.82	877.61
8 inch meter	575.00	575.00	632.50	790.63	814.35	838.78	889.11	924.67	970.90	1,019.44
<b>Additional Monthly Charges- Residential</b>										
0-1,997 gallons consumed (per 1,000 gallons)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
1,998-4,989	2.957	2.957	3.254	4.067	4.189	4.315	4.574	4.757	4.757	4.995
4,990-9,971	2.868	2.868	3.154	3.943	4.061	4.183	4.434	4.612	4.612	4.842
9,972-49,860	2.727	2.727	3.000	3.750	3.863	3.978	4.217	4.386	4.386	4.605
49,861-99,731	2.546	2.546	2.801	3.502	3.607	3.715	3.938	4.096	4.096	4.300
99,732-199,469	2.346	2.346	2.581	3.226	3.323	3.423	3.628	3.773	3.773	3.962
<b>Additional Monthly Charges Rates- Industrial</b>										
0-49,869 gallons consumed (per 1,000 gallons)	\$ -	\$ -	\$ 2.768	\$ 3.461	\$ 3.564	\$ 3.671	\$ 3.892	\$ 4.047	\$ 4.250	\$ 4.462
49,870-99,731	2.436	2.436	2.680	3.350	3.451	3.554	3.768	3.918	4.114	4.320
99,732-149,600	2.155	2.155	2.371	2.964	3.053	3.145	3.333	3.467	3.640	3.822
149,601-199,469	1.975	1.975	2.173	2.716	2.798	2.881	3.054	3.177	3.335	3.502
199,470-997,331	1.624	1.624	1.787	2.233	2.300	2.369	2.512	2.612	2.743	2.880
997,332-4,986,669	1.323	1.323	1.456	1.820	1.875	1.931	2.047	2.128	2.235	2.347
4,986,670-9,973,331	0.601	0.601	0.662	0.827	0.852	0.878	0.930	0.968	1.016	1.067
9,973,331 and above	0.511	0.511	0.563	0.703	0.724	0.746	0.791	0.822	0.864	0.907

Source: City of Atchison Water Utility

Rates presented are for customers within the city limits. Customers outside the city limits are charged higher rates.

A 25% rate increase was effective with the January 2010 billing period. The 2016 rate increase was 5% per month for all customers, base charge and additional water usage charges.

CITY OF ATCHISON, KANSAS  
PRINCIPAL WATER PURCHASERS  
CURRENT YEAR AND NINE YEARS AGO

Water Purchaser	2016			2007		
	Gallons Consumed	Rank	Percentage of Total Gallons Consumed	Gallons Consumed	Rank	Percentage of Total Gallons Consumed
MGP Ingredients	613,355,647	1	54.55%	451,886,487	1	40.59%
Rural Water District #5	102,883,210	2	9.15%	144,415,900	2	12.97%
Bradken/Atchison Casting	24,101,577	3	2.14%	22,347,255	3	2.01%
Benedictine College	23,404,688	4	2.08%	21,437,882	4	1.93%
Rural Water District #6	22,237,778	5	1.98%	14,476,994	5	1.30%
Bunge	13,774,143	6	1.22%	9,649,611	8	0.87%
Rural Water District #1	9,667,900	7	0.86%	11,476,760	6	1.03%
Mount St. Scholastica	7,949,370	8	0.71%	6,815,402	9	0.61%
Atchison Public Schools	5,200,949	9	0.46%			0.00%
Atchison Hospital	4,471,350	10	0.40%			0.00%
Golden Star Inc.	-		-	9,946,321	7	0.89%
Maur Hill- Mount Academy	-		-	6,073,760	10	0.55%
Total	827,046,612		73.55%	698,526,372		62.75%

Source: City of Atchison Water Department.

CITY OF ATCHISON, KANSAS

ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY

LAST TEN FISCAL YEARS

Fiscal Year	Real Estate	Personal Property	Utilities	Less: Tax Exempt Property	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Value	Assessed to Total Estimated Actual Value
2007	\$ 52,509,268	\$ 9,346,970	\$ 4,759,355	\$ 6,704,034	\$ 59,911,559	\$ 45.494	\$ 417,388,916	14.35%
2008	54,566,560	8,436,366	4,564,451	6,940,075	60,627,302	46.478	437,709,006	13.85%
2009	56,926,494	7,018,204	4,371,716	7,202,148	61,114,266	57.365	446,183,278	13.70%
2010	58,326,077	6,209,979	4,349,715	7,210,601	61,675,170	57.181	445,328,629	13.85%
2011	60,339,718	5,518,345	4,692,455	7,449,991	63,100,527	52.880	446,170,360	14.14%
2012	60,578,300	4,738,734	4,932,363	8,853,139	61,396,258	54.069	446,386,760	13.75%
2013	59,969,135	4,436,095	8,038,200	9,229,156	63,214,274	52.935	448,955,869	14.08%
2014	62,721,455	4,227,171	5,849,040	11,097,689	61,699,977	54.234	448,488,713	13.76%
2015	63,090,321	3,814,598	5,927,124	8,717,980	64,114,063	54.089	446,843,583	14.35%
2016	62,477,029	3,676,815	6,558,267	8,005,290	64,706,821	54.111	N/A	N/A

Source: Atchison County Clerk

Note: Does not include penalty amounts

Detailed information on Utilities and Tax Exempt property is not available for the years 2001 and prior.

N/A = not available



CITY OF ATCHISON, KANSAS

DIRECT AND OVERLAPPING PROPERTY TAX RATES  
(PER \$ 1,000 OF ASSESSED VALUE)

LAST TEN FISCAL YEARS

Fiscal Year	City Direct Rates				White Clay #26 Watershed	USD 409	Atchison County	State of Kansas	Total
	Basic Rate	Debt Service	Library	Total Direct Rate					
2007	\$ 32.460	\$ 7.318	\$ 5.716	\$ 45.494	\$ 2.253	\$ 62.839	\$ 40.888	\$ 1.500	\$ 152.974
2008	32.808	7.571	6.099	46.478	2.535	59.137	42.967	1.500	152.617
2009	42.071	8.524	6.770	57.365	2.625	59.645	45.870	1.500	167.005
2010	42.100	8.306	6.775	57.181	2.801	62.804	46.658	1.500	170.944
2011	37.892	8.255	6.733	52.880	2.797	61.212	46.621	1.500	165.010
2012	39.296	8.002	6.771	54.069	2.998	62.603	48.722	1.500	169.892
2013	38.166	8.000	6.769	52.935	2.883	63.453	50.435	1.500	171.206
2014	38.734	8.500	7.000	54.234	2.883	63.180	50.984	1.500	172.781
2015	38.132	8.976	6.981	54.089	2.885	60.373	55.060	1.500	173.907
2016	36.224	10.887	7.000	54.111	2.888	60.557	53.666	1.500	172.722

Source: Atchison County Clerk

CITY OF ATCHISON, KANSAS

PRINCIPAL PROPERTY TAX PAYERS

CURRENT YEAR AND NINE YEARS AGO

Taxpayer	2016			2007		
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
MGP Ingredients	\$4,206,324	1	6.50%	\$6,208,789	1	10.36%
Bartlett Grain	3,919,941	2	6.06%			0.00%
Westar Energy	3,788,354	3	5.85%	2,118,864	3	
Bradken (formerly Atchison Casting	3,226,193	4	4.99%	1,271,115	5	2.12%
Wal Mart	2,205,333	5	3.41%	2,813,578	2	4.70%
Northwest Pipe	1,563,559	6	2.42%	1,028,936	6	1.72%
Union Pacific Railroad Company	1,270,579	7	1.96%	527,872	10	0.88%
Blish-Mize Co	1,243,201	8	1.92%	1,331,727	4	
Golden Star	1,029,351	9	1.59%			0.00%
Kansas Gas Service	962,765	10	1.49%	962,982	7	1.61%
Southwestern Bell				764,157	8	1.28%
Garrett Brothers				527,963	9	0.88%
Total	<u>\$23,415,600</u>		<u>36%</u>	<u>\$17,555,983</u>		<u>24%</u>

Source: Atchison County Clerk

64,706,821

59,911,559

CITY OF ATCHISON, KANSAS

PROPERTY TAX LEVIES AND COLLECTIONS

LAST TEN FISCAL YEARS

Fiscal Year	Total Tax Levy	Current Tax Collections	Percentage of Levy Collected	Delinquent Tax Collections	Total Tax Collections	Total Collections as a Percent of Current Tax Levy	Outstanding Delinquent Taxes	Outstanding Delinquent Taxes as a Percent of Current Levy
2007	\$ 3,032,818	\$ 2,647,672	87.30%	\$ 2,647,672	\$ 2,647,672	87.30%	\$ 2,647,672	87.30%
2008	2,990,086	2,930,659	98.01%	30,022	2,960,681	99.02%	29,405	0.98%
2009	3,684,215	3,610,823	98.01%	3,691	3,614,513	98.11%	69,702	1.89%
2010	3,715,137	3,620,578	97.45%	NA	3,620,578	97.45%	94,559	2.55%
2011	3,528,503	3,237,885	91.76%	NA	3,237,885	91.76%	290,618	8.24%
2012	3,523,660	3,407,816	96.71%	NA	3,407,816	96.71%	115,844	3.29%
2013	3,550,247	3,507,029	98.78%	NA	3,507,029	98.78%	43,218	1.22%
2014	3,543,729	3,498,445	98.72%	NA	3,498,445	98.72%	45,284	1.28%
2015	3,680,770	3,528,405	95.86%	44,249	3,572,654	97.06%	108,116	2.94%
2016	3,747,280	3,606,998	96.26%	NA	3,606,998	96.26%	140,282	3.74%

Source: Atchison County Treasurer  
NA= not available

CITY OF ATCHISON, KANSAS

RATIOS OF OUTSTANDING DEBT BY TYPE

LAST TEN FISCAL YEARS

Fiscal Year	Governmental Activities			Business-type Activities			Total Primary Government	Percentage of Personal Income	Per Capita
	General Obligation Bonds	Other Loans	Capital Leases	General Obligation Bonds	Capital Leases	Revolving Loans			
2007	\$ 4,105,000	\$ 32,945	\$ 271,733	\$ 8,920,000	\$ 125,957	\$ -	\$ 13,455,635	4.69%	\$ 1,325
2008	3,545,000	-	223,969	8,040,000	59,236	-	11,868,205	3.95%	1,178
2009	2,915,000	-	173,982	7,125,000	18,663	283,649	10,516,294	3.56%	1,011
2010	2,545,319	-	145,359	6,629,681	-	4,466,912	13,787,271	4.65%	1,322
2011	3,852,676	-	123,827	6,042,324	206,000	5,974,057	16,198,884	4.63%	1,470
2012	3,309,868	-	101,283	5,435,132	167,228	5,448,587	14,462,098	4.26%	1,322
2013	2,866,703	2,550,000	77,679	4,646,977	127,291	7,338,680	17,607,330	4.83%	1,608
2014	7,053,175	-	52,966	3,676,825	722,136	12,703,928	24,209,030	6.61%	2,248
2015	6,434,276	-	27,091	2,765,724	548,214	16,154,621	25,929,926	7.18%	2,421
2016	5,770,000	-	179,712	1,835,000	383,221	17,104,755	25,272,688	NA	2,359

NA= not available

CITY OF ATCHISON, KANSAS

RATIOS OF NET GENERAL BONDED DEBT OUTSTANDING AND LEGAL DEBT MARGIN

LAST TEN FISCAL YEARS

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General bonded debt outstanding										
General obligation bonds	\$13,025,000	\$11,585,000	\$10,040,000	\$9,175,000	\$9,895,000	\$8,745,000	\$7,513,680	\$10,819,672	\$9,272,577	\$7,660,482
Total	\$13,025,000	\$11,585,000	\$10,040,000	\$9,175,000	\$9,895,000	\$8,745,000	\$7,513,680	\$10,819,672	\$9,272,577	\$7,660,482
Estimated actual property value	417,388,916	437,709,006	446,183,278	445,328,629	446,170,360	446,386,760	448,955,869	448,488,713	446,843,583	N/A
Percentage of estimated actual property value	3.12%	2.65%	2.25%	2.06%	2.22%	1.96%	1.67%	2.41%	2.08%	N/A
Population	10,154	10,078	10,402	10,432	11,021	10,943	10,953	10,771	10,712	10,712
Per capita	\$1,282.75	\$1,149.53	\$965.20	\$879.51	\$897.83	\$799.14	\$685.99	\$1,004.52	\$865.63	\$715.13
Less: Amounts set aside to repay general debt	(404,553)	(244,629)	(159,454)	(229,922)	(324,889)	(259,902)	(306,372)	(374,451)	(198,143)	(121,351)
Total net debt applicable to debt limit	12,620,447	11,340,371	9,880,546	8,945,078	9,570,111	8,485,098	7,207,308	10,445,221	9,074,434	7,539,131
Legal debt limit	17,973,468	18,188,191	18,334,280	18,502,551	18,930,158	18,418,877	18,964,282	18,509,993	19,234,219	19,412,046
Legal debt margin	\$5,353,021	\$6,847,820	\$8,453,734	\$9,557,473	\$9,360,047	\$9,933,779	\$11,756,974	\$8,064,772	\$10,159,785	\$11,872,915
Legal debt margin as a percentage of debt limit	29.78%	37.65%	46.11%	51.65%	49.45%	53.93%	62.00%	43.57%	52.82%	61.16%

Debt limit is set at 30% of assessed valuation.  
N/A = not available

CITY OF ATCHISON, KANSAS

GOVERNMENTAL ACTIVITIES DIRECT AND OVERLAPPING DEBT

DECEMBER 31, 2016

Taxing Body	Debt		City's Share		Per Capita
	Amount	As of	Percent	Amount	
Estimated overlapping debt:					
Atchison County	\$ 4,467,404	12/31/16	65%	\$ 2,898,010	\$ 271
USD No. 409	18,710,000	12/31/16	89%	16,651,900	1,555
	<u>23,177,404</u>			<u>19,549,910</u>	<u>1,825</u>
Direct debt:					
City of Atchison	<u>5,973,722</u>	12/31/16	100%	<u>5,973,722</u>	<u>558</u>
Direct and estimated overlapping debt	<u>\$ 29,151,126</u>			<u>\$ 25,523,632</u>	<u>\$ 2,383</u>

Source: Atchison County Clerk

Information represents the share of the respective debt which are obligations of the citizens of Atchison.  
Percentages are based upon population of the city or school district compared to the total county population.

CITY OF ATCHISON, KANSAS  
DEMOGRAPHIC AND ECONOMIC STATISTICS  
LAST TEN YEARS

<u>Fiscal Year</u>	<u>City Population</u>	<u>County Total Personal Income (000's omitted)</u>	<u>County Per Capita Income</u>	<u>School Enrollment</u>	<u>Unemployment Rate (Atchison County)</u>
2007	10,154	\$ 476,194	\$ 28,237	2,225	4.60%
2008	10,078	501,972	29,844	2,193	4.60%
2009	10,402	481,898	28,405	2,154	9.20%
2010	10,432	480,769	28,498	2,234	9.90%
2011	11,021	534,580	31,843	2,207	9.00%
2012	10,943	525,851	31,262	2,198	7.70%
2013	10,953	557,004	33,256	2,180	8.60%
2014	10,771	560,585	33,993	2,147	6.50%
2015	10,712	552,514	33,694	2,183	6.20%
2016	10,712	NA	NA	2,226	6.40%

Population figures presented are for the city only. The Personal Income and Per Capita Income figures are for the entire county.

r: revised

NA: Not Available

Sources:

Population: U.S. Census Bureau

Total Personal Income: Bureau of Economic Analysis

Per Capita Income: Bureau of Economic Analysis

School Enrollment: Kansas State Department of Education

Unemployment Rate: Bureau of Labor Statistics

## CITY OF ATCHISON, KANSAS

## PRINCIPAL EMPLOYERS

## CURRENT YEAR AND NINE YEARS AGO

Employer	2016			2007		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Benedictine College	381	1	5.33%	294	5	3.35%
USD 409	333	2	4.66%	362	3	4.12%
Atchison Hospital	314	3	4.39%	385	2	4.38%
Bradken (formerly Atchison Casting)	256	4	3.58%	692	1	7.88%
Fargo Assembly	245	5	3.43%	160	8	1.82%
MGP Ingredients	209	6	2.92%	306	4	3.48%
Wal Mart	193	7	2.70%			
Atchison County	146	8	2.04%	185	7	2.11%
Blish-Mize	120	9	1.68%	130	9	1.48%
City of Atchison	107	10	1.50%	104	10	1.18%
Golden Star				288	6	3.28%
Total	2,304		32.21%	2,906		29.81%

Source: Community Development Department



CITY OF ATCHISON, KANSAS

FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION

LAST TEN FISCAL YEARS

Function/Program	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General Government										
City Manager	3	3	3	3	3	3	3	3	3	3
Finance	4.5	4.5	3.5	3.5	4.5	4.5	5	5	5	5
Municipal Court	1	1	1	1	1	1	1	1	1	1
Community Development(b)	3	3.5	3.5	3.5	4.5	4.5	4.5	4.5	3.5	3.5
Engineering	3	4	4	4	2	2	2	2	2	2
Atchison Event Center ( c )	0	0	0	0	0	0	0	0	2.5	2.5
Public Safety										
Police	21	23	23	22	22	23	23	23	22.5	23.5
Animal Control	1	1	1	1	1	1	1	1	1.5	1.5
Fire	19	19.75	18.75	19.75	19.75	19.75	19.75	19.75	19.75	19
Public Works Admin	0	0	0	0	22	22	20.83	19.83	21.5	20.5
Public Works										
Street	11	11	11	9	0	0	0	0	0	0
Fleet Maintenance	2	2	2	2	0	0	0	0	0	0
Construction Engineering	1	1	0	0	0	0	0	0	0	0
Parks and Recreation										
Parks	7	7	7	6	0	0	0	0	0	0
Water/Wastewater (a)	21.5	21.5	19.5	19.5	18.5	18.5	18.34	19.33	20.17	21.67
Refuse	6	6	6	6	6	6	6.83	6.83	4.83	4.83
Total	104	108.25	103.25	100.25	104.25	105.25	105.25	105.24	107.25	108

(a) Water utility employees added to city payroll beginning 1/1/2006. Prior to that date utility was managed by a private 3rd party.

(b) Departments were restructured in 2011

(c) The operation of the Atchison Event Center was taken over by the City on 12/31/14.

CITY OF ATCHISON, KANSAS  
OPERATING INDICATORS BY PROGRAM/FUNCTION  
LAST TEN FISCAL YEARS

Program/Function	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>Police</b>										
Dispatched calls	14,230	14,962	14,501	13,903	13,786	13,458	13,257	12,503	12,153	11,931
Criminal cases	1,527	1,847	1,806	1,680	1,773	1,796	1,505	1,599	1,615	1,490
Criminal cases cleared	951	1,192	1,242	1,182	1,161	1,206	1,031	1,066	1,092	1,003
Arrests	870	1,121	1,166	1,047	1,117	1,147	974	935	897	836
Serious crimes	421	535	519	412	401	530	384	377	378	435
<b>Fire</b>										
Emergency Responses	454	361	290	340	343	339	357	398	346	359
First Responder/Medical	553	586	556	570	603	635	784	864	725	761
Life Safety Inspections	666	657	657	657	657	657	656	667	667	667
Property Loss (thousands of \$)	\$ 338	\$ 355	\$ 355	N/A	N/A	N/A	N/A	N/A	N/A	N/A
<b>Refuse collected (tons/year)</b>										
Trash	3,562	3,742	3,608	3,293	3,207	3,188	3,079	2,846	2,734	2,980
Recycling	-	-	-	-	-	-	-	-	174	190
Construction/Demolition	270	-	-	-	-	-	-	-	-	-
Brush	22	-	106	232	136	128	72	-	-	-
Metal	62	42	-	-	-	-	-	-	-	-
<b>Water</b>										
New connections	18	12	16	18	8	5	8	8	1	6
Water main breaks	30	30	20	33	23	31	32	39	30	27
Replaced bad service lines	33	54	44	31	29	33	21	25	20	32
Average daily consumption (thousands of gallons)	4,039	4,003	3,753	4,097	3,879	4,054	4,055	3,608	3,044	3,328
Peak daily consumption (thousands of gallons)	5,059	4,954	5,287	5,482	6,037	6,414	5,152	5,196	3,344	6,037
<b>Wastewater</b>										
Average daily sewage treatment (thousands of gallons)	1,458	1,698	1,757	1,740	946	1,283	1,281	1,480	1,560	1,198

Refuse statistics source: Atchison County Transfer Station  
2008 Construction/Demolition and Brush are included in Trash  
2009-2012 Construction/Demolition and Metal are included in Trash  
2014 Construction/Demolition, Brush and Metal are no longer tracked separately  
2015 The City of Atchison began offering curbside recycling to all residents

CITY OF ATCHISON, KANSAS  
CAPITAL ASSET STATISTICS BY PROGRAM/FUNCTION  
LAST TEN FISCAL YEARS

Program/Function	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	10	10	10	10	10	10	10	10	10	10
Fire Stations	1	1	1	1	1	1	1	1	1	1
Refuse Collection										
Collection trucks	2	2	2	2	2	2	2	2	2	2
Other Public Works										
Streets (miles)	77	77	77	77	77	77	77	77	77	77
Highways (miles)	8	8	8	8	8	8	8	8	8	8
Traffic Signals	12	10	11	11	11	11	11	11	11	6
Parks and Recreation										
Acreage	332	332	332	332	332	332	332	332	332	332
Playgrounds	7	7	7	7	7	7	7	7	7	7
Baseball/Softball diamonds	6	6	6	6	5	5	5	5	5	5
Water										
Water mains (miles)	100	100	100	95	95	95	95	95	95	95
Fire hydrants	537	547	556	556	560	565	565	565	565	565
Storage capacity (000's gallons)	1,750	1,750	1,750	1,750	1,750	1,750	1,750	3,750	3,750	3,750
Wastewater										
Sanitary Sewers (miles)	20	20	20	20	20	20	20	20	20	20
Storm Sewer (combined, miles)	80	80	80	80	80	80	80	80	80	80
Treatment capacity (000's gallons)	2,800	2,800	2,800	2,800	2,800	2,800	2,800	2,800	2,800	2,800
Treatment capacity (000's gallons)	8,400	8,400	8,400	8,400	8,400	8,400	8,400	8,400	8,400	8,400

## THE WATER SYSTEM

The following data, along with the financial information found elsewhere in this Comprehensive Annual Financial Report (the CAFR), is being provided in order to comply with certain provisions of Rule 15c2-12 of the Securities and Exchange Commission (the SEC Rule). In conjunction with the issuance of its outstanding water system bonds, the City has agreed to disseminate the CAFR to each Nationally Recognized Municipal Securities Information Repository and State Information Repository, if any, both as defined in the SEC Rule, within 180 days after the end of its Fiscal Year.

### **Description - The Water System**

Number of Treatment Plants:	1
Year Plant Constructed	1949 - updated 2016
Daily Treatment Capacity:	8.0 million gallons
Treated Water Storage Capacity:	1.0 million gallons in clearwell
	1.25 million gallons in 5 elevated tanks
	2.0 million gallons in ground storage tank
Distribution Lines:	118 miles
Source of Water:	Missouri River
% of Water Sold Outside City:	15%

### **Ten Largest Users**

<u>Company</u>	<u>Product or Service</u>	<u>Gallons Consumed</u>
MGP Ingredients, Inc.	Manufacturing	613,355,647
RWD #5	Water district	102,883,210
Bradken (Atchison Casting)	Manufacturing	24,101,577
Benedictine College	College	23,404,688
RWD #6	Water district	22,237,778
Bunge Milling, Inc.	Grain processing	13,774,143
RWD #1	Water District	9,667,900
Mount St. Scholastica	School	7,949,370
Atchison Public Schools	School district	5,200,949
Atchison Hospital	Hospital	4,471,350

### **Consumption and Usage - 2016**

Total Gallons Consumed:	1,064,994 gallons
Peak Daily Production:	6,037,000 gallons

### **Number of Customers as of December 31, 2016**

Number of Residential Meters:	3,647
Number of Commercial Meters:	471

### **Water Rate Structure**

All Users  
Minimum Monthly Charge (includes first 266 cubic feet of usage):

Meter Size	Outside City Limits Current Rates (effective 1/1/16)	Inside City Limits Current Rates (effective 1/1/16)
5/8" or less	\$ 46.21	\$ 30.81
3/4"	72.20	48.13
1"	118.36	78.91
1.5"	226.07	150.71
2"	305.84	203.89
3"	598.36	398.91
4"	997.28	664.85
6"	1,316.42	877.61
8"	1,529.16	1,019.44

### **Future Borrowing Plans**

The City has borrowed \$3.8 from the State of Kansas SRF program in order to fund replacement of pre 1930 water mains (\$2.2 million) and replacement of the high service pump station (\$1.6 million). These projects were selected by KDHE for completion under the American Recovery and Reinvestment Act (ARRA). All criteria are met for ARRA and the loan principal has been reduced by 32% (loan forgiveness). The City has entered into additional loan agreements with the State Revolving Loan Fund for a total of \$14 million to fund additional water storage, replace a booster pump station and ozone treatment necessary to meet EPA requirements.

### **Future Rate Increases**

By ordinance, a review and analysis of water rates is performed each year to determine if any rate increases are needed for the following year. The last review, conducted in late 2016, indicated that no rate increase for residential, commercial and industrial water rates were needed for 2017.



BERBERICH TRAHAN & CO., P.A.  
Certified Public Accountants

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN  
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH GOVERNMENT AUDITING STANDARDS**

The Honorable Mayor and City Commission  
City of Atchison, Kansas:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Atchison, Kansas (the City), as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 14, 2017.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

An Independently Owned Member, RSM US Alliance

RSM US Alliance member firms are separate and independent businesses and legal entities that are responsible for their own acts and omissions, and each are separate and independent from RSM US LLP. RSM US LLP is the U.S. member firm of RSM International, a global network of independent audit, tax, and consulting firms. Members of RSM US Alliance have access to RSM International resources through RSM US LLP but are not member firms of RSM International.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Berwick Trahan + Co., P.A.*

Topeka, Kansas  
June 14, 2017